

**Appendix 1: Materials for annual organizational items**

**Class III FOMC – Internal (FR)**

*Material for*  
**Annual Organizational Items**

**January 26, 2016**

Class III FOMC – Internal (FR)

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Federal Reserve System

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# Federal Open Market Committee Rules and Authorizations



January ~~2015~~2016

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## Statement on Longer-Run Goals and Monetary Policy Strategy

Adopted effective January 24, 2012; as amended effective January ~~27, 2015~~ [26, 2016](#)

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The Federal Open Market Committee (FOMC) is firmly committed to fulfilling its statutory mandate from the Congress of promoting maximum employment, stable prices, and moderate long-term interest rates. The Committee seeks to explain its monetary policy decisions to the public as clearly as possible. Such clarity facilitates well-informed decisionmaking by households and businesses, reduces economic and financial uncertainty, increases the effectiveness of monetary policy, and enhances transparency and accountability, which are essential in a democratic society.

Inflation, employment, and long-term interest rates fluctuate over time in response to economic and financial disturbances. Moreover, monetary policy actions tend to influence economic activity and prices with a lag. Therefore, the Committee's policy decisions reflect its longer-run goals, its medium-term outlook, and its assessments of the balance of risks, including risks to the financial system that could impede the attainment of the Committee's goals.

The inflation rate over the longer run is primarily determined by monetary policy, and hence the Committee has the ability to specify a longer-run goal for inflation. The Committee reaffirms its judgment that inflation at the rate of 2 percent, as measured by the annual change in the price index for personal consumption expenditures, is most consistent over the longer run with the Federal Reserve's statutory mandate. [The Committee would be concerned if inflation were running persistently above or below this objective.](#) Communicating this [symmetric](#) inflation goal clearly to the public helps keep longer-term inflation expectations firmly anchored, thereby fostering price stability and moderate long-term interest rates and enhancing the Committee's ability to promote maximum employment in

the face of significant economic disturbances. The maximum level of employment is largely determined by nonmonetary factors that affect the structure and dynamics of the labor market. These factors may change over time and may not be directly measurable. Consequently, it would not be appropriate to specify a fixed goal for employment; rather, the Committee's policy decisions must be informed by assessments of the maximum level of employment, recognizing that such assessments are necessarily uncertain and subject to revision. The Committee considers a wide range of indicators in making these assessments. Information about Committee participants' estimates of the longer-run normal rates of output growth and unemployment is published four times per year in the FOMC's Summary of Economic Projections. For example, in the most recent projections, [the median of FOMC participants' estimates of the longer-run normal rate of unemployment was 4.9 percent. ~~had a central tendency of 5.2 percent to 5.5 percent.~~](#)

In setting monetary policy, the Committee seeks to mitigate deviations of inflation from its longer-run goal and deviations of employment from the Committee's assessments of its maximum level. These objectives are generally complementary. However, under circumstances in which the Committee judges that the objectives are not complementary, it follows a balanced approach in promoting them, taking into account the magnitude of the deviations and the potentially different time horizons over which employment and inflation are projected to return to levels judged consistent with its mandate.

The Committee intends to reaffirm these principles and to make adjustments as appropriate at its annual organizational meeting each January.

## Federal Open Market Committee—Rules of Organization

As amended effective January 27, 2015

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### SECTION 1—Authority

The rules<sup>i</sup> are issued by the Federal Open Market Committee (the “Committee”) pursuant to the requirement of section 552 of title 5 of the United States Code<sup>ii</sup> that every agency shall publish in the Federal Register a description of its central and field organization.

### SECTION 2—Composition of Committee

(a) *Members.* The Committee consists of the seven members of the Board of Governors of the Federal Reserve System (the “Board”) and five representatives of the Federal Reserve Banks, each of whom is a president or a first vice president of a Federal Reserve Bank.

(b) *Federal Reserve Bank representatives.* The representatives of the Federal Reserve Banks, and an alternate for each representative, are elected by the boards of directors of the Federal Reserve Banks in accordance with section 12A of the Federal Reserve Act (12 USC 263) for annual terms commencing on the date of the first regularly scheduled meeting of the Committee occurring on or after January 1 of each year. Prior to the first regularly scheduled meeting of the Committee on or after January 1 of each year, each member of the Committee representing the Federal Reserve Banks shall cause a record of the member’s election and of the election of the member’s alternate to be forwarded to the secretary of the Committee. If any question is raised as to the election or eligibility of a member or alternate, the Committee determines such question before such member or alternate participates in a meeting of the Committee. In the event a member is absent from a meeting of the Committee, the member’s alternate, in attending the meeting, shall have the same status as the member for whom the alternate is serving. If a member or alternate ceases to be a president or first vice president of a Federal Reserve Bank, a successor may be chosen in a special election by the boards of directors of the appropriate Federal Reserve Bank or Banks and such successor

serves until the next annual election.

(c) *Oath of office.* Each member of the Committee and each alternate take the same oath of office as that prescribed by statute to be taken by officers of the United States.

### SECTION 3—Chairman and Vice Chairman

At its first regularly scheduled meeting on or after January 1 of each year, the Committee elects a Chairman and a Vice Chairman from among its membership. The Chairman presides at all meetings of the Committee and performs such other duties as the Committee may require. The Vice Chairman performs the duties of the Chairman in the absence of the Chairman. In the absence of both the Chairman and the Vice Chairman of the Committee, the Vice Chairman of the Board acts as Chairman of the Committee; and, in the absence of the Chairman and the Vice Chairman of the Committee and the Vice Chairman of the Board, the member of the Board present with the longest service as a member of the Board acts as Chairman of the Committee.

### SECTION 4—Staff

(a) *Selection of staff officers.* At its first regularly scheduled meeting on or after January 1 of each year, the Committee selects, from among the officers and employees of the Board and the Federal Reserve Banks, the following staff officers to serve until the first regularly scheduled meeting on or after January 1 of the next following year: secretary, deputy secretary, and one or more assistant secretaries; general counsel, deputy general counsel, and one or more assistant general counsels; economists, one or more of whom may be designated as senior or associate economists or given titles reflecting their areas of particular specialization; and such other officers as the Committee might wish from time to time. A staff officer ceases to be an officer of the Committee if he or she ceases to be employed by the Board or by a Federal



Reserve Bank or if the Committee selects a successor to that staff officer.

(b) *Secretary and deputy and assistant secretaries.* The secretary keeps minutes of actions and records of discussions at all meetings of the Committee; maintains a complete record of the actions taken by the Committee upon all questions of policy relating to open market operations; and records the votes taken in connection with the determination of open market policies and the reasons underlying each such action. The secretary has custody of such minutes and records, and performs such other duties as the Committee may require. In the absence of the secretary of the Committee, the deputy secretary or an assistant secretary acts as secretary pro tem.

(c) *Economists.* The economists prepare for the use of the Committee and present to it such information regarding business and credit conditions and domestic and international economic and financial developments as will assist the Committee in the determination of open market policies, and they perform such other duties as the Committee may require.

(d) *General counsel and deputy and assistant general counsel.* The general counsel furnishes such legal advice as the Committee may require. In the absence of the general counsel, the deputy general counsel or an assistant general counsel acts as general counsel pro tem.

(e) *Filling of vacancies.* At any meeting the Committee may fill any vacancy in the offices described in this section.

(f) *Other staff assistance.* The services of

any officers and employees of the Board and the Federal Reserve Banks are made available and are utilized by the Committee as required.

#### SECTION 5—Manager and Deputy Manager

The Committee selects a manager and deputy manager of the System Open Market Account. The foregoing shall be satisfactory to the Federal Reserve Bank selected by the Committee to execute open market transactions for such account (the “Selected Bank”) and shall serve at the pleasure of the Committee. The manager keeps the Committee informed on market conditions and on transactions made for such account and renders such reports as the Committee may specify. In the absence of the manager, the deputy manager acts as manager pro tem. In the event that the president of the Selected Bank determines that the manager or deputy manager is not able to perform the duties of the position, the Chairman may select a person satisfactory to such president to serve as manager or deputy manager (as relevant) until the Committee and the Selected Bank select a replacement manager or (as relevant) deputy manager in accordance with this section.

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<sup>i</sup> These are uncodified rules, for use within the Federal Reserve System.

<sup>ii</sup> See 5 USC 552(a)(1) at 8-311.

## Federal Open Market Committee—Rules of Procedure

12 CFR 272; as amended effective January 29, 2013

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### SECTION 272.1—Authority

This part<sup>1</sup> is issued by the Federal Open Market Committee (the “Committee”) pursuant to the requirement of section 552 of title 5 of the United States Code that every agency shall publish in the Federal Register its rules of procedure.

### SECTION 272.2—Functions of the Committee

The procedures followed by the Committee are designed to facilitate the effective performance of the Committee’s statutory functions with respect to the regulation and direction of open market operations conducted by the Federal Reserve Banks and with respect to certain direct transactions between the Federal Reserve Banks and the United States. In determining the policies to be followed in such operations, the Committee considers information regarding business and credit conditions and domestic and international economic and financial developments, and other pertinent information gathered and submitted by its staff and the staffs of the Board of Governors of the Federal Reserve System (the “Board”) and the Federal Reserve Banks. Against the background of such information, the Committee takes actions from time to time to regulate and direct the open market operations of the Federal Reserve Banks. Such policy actions ordinarily are taken through the adoption and transmission to the Federal Reserve Banks of regulations, authorizations, and directives.

### SECTION 272.3—Meetings

(a) *Place and frequency.* The Committee meets in Washington, D.C., at least four times each year and oftener if deemed necessary. Meetings are held upon the call of the Chairman of the Board or at the request of any three members of the Committee. Notices of calls by the Chairman of the Board to other members are given by the secretary of the Committee in writing, by telephone, or electronic

means. Requests of any three members for the calling of a meeting shall state the time therefore and shall be filed in writing, by telephone, or electronic means with the secretary who shall forthwith notify all members of the Committee in writing, by telephone, or electronic means. When the secretary has sent notices to all members of the Committee that a meeting has been requested by three members and of the time therefore, a meeting is deemed to have been called. If, in the judgment of the Chairman, circumstances require that a meeting be called at such short notice that one or more members cannot be present in person, such members may participate in the meeting by telephone conference arrangements or by electronic means.

(b) *Alternates.* Whenever any member of the Committee representing Federal Reserve Banks shall find that the member will be unable to attend a meeting of the Committee, the member shall promptly notify the member’s alternate and the secretary of the Committee in writing, by telephone, or electronic means, and upon receipt of such notice such alternate shall advise the secretary whether the alternate will attend such meeting.

(c) *Quorum.* Seven members, at least one of whom represents a Federal Reserve Bank, constitute a quorum of the Committee for purposes of transacting business except that, if there are fewer than seven members in office, then the number of members in office constitute a quorum. For purposes of this paragraph (c), members of the Committee include alternates acting in the absence of members. Less than a quorum may adjourn a meeting of the Committee from time to time until a quorum is in attendance.

(d) *Attendance at meetings.* Attendance at Committee meetings is restricted to members and alternate members of the Committee, the presidents of Federal Reserve Banks who are not at the time members or alternates, staff officers of the Committee, the manager, and such other advisers as the Committee may invite from time to time.

(e) *Meeting agendas.* The secretary, in consultation with the Chairman, prepares an

agenda of matters to be discussed at each regularly scheduled meeting and the secretary transmits the agenda to the members of the Committee within a reasonable time in advance of such meeting. In general, the agendas include reports by the manager on open market operations since the previous meeting, and ratification by the Committee of such operations; reports by economists on, and Committee discussion of, the economic and financial situation and outlook; Committee discussion of monetary policy and action with respect thereto; and such other matters as may be considered necessary.

#### SECTION 272.4—Committee Actions

(a) *Actions at meetings.* Actions are taken at meetings of the Committee except as described below.

(b) *Policy actions between meetings.* Special circumstances may make it desirable in the public interest for Committee members to consider an action to modify an outstanding Committee authorization or directive at a time when it is not feasible to call a meeting. Whenever, in the judgment of the Chairman, such circumstances have arisen, the relevant information and recommendations for action are transmitted to the members by the secretary, and the members communicate their votes to the secretary. If the action is approved by a majority of the members, advice to that effect is promptly given by the secretary to the members of the Committee and to the Federal Reserve Bank selected to execute transactions for the System Open Market Account. All communications of recommended actions and votes under this paragraph shall be in writing, by telephone, or electronic means; if the communication is made orally, the secretary shall cause a written record to be made without delay. An action taken between meetings has the force and effect of an action at a meeting; provided, however, that if a meeting is held before the execution of any operations pursuant to the action, the action is null and void unless it is ratified and confirmed by the Committee at such meeting.

(c) *Other actions between meetings.* Circumstances may make it desirable in the public interest for Committee members to consider other actions, such as approval of the minutes, between meetings. In these circumstances, the relevant information and recommendations for such action are transmitted to the members by the secretary, and the members communicate their votes to the secretary. All communications of recommended actions and votes under this paragraph shall be in writing, by telephone, or electronic means; if the communication is made orally, the secretary shall cause a written record to be made without delay.

(d) *Delegations of authority.* In special circumstances, the Committee may delegate authority to take an action, subject to such instructions or guidelines as the Committee deems proper. Such delegations of authority may be made to the Chairman; to a subcommittee consisting of the Chairman and the Vice Chairman of the Committee and the Vice Chairman of the Board (or in the absence of the Chairman or of the Vice Chairman of the Board the members of the Board designated by the Chairman as alternates, and in the absence of the Vice Chairman of the Committee the alternate for the Vice Chairman); or to any other member or members of the Committee. An action taken pursuant to such a delegation of authority has the force and effect of an action taken by the Committee.

(e) *Technical changes to Committee rules.* The secretary of the Committee (or the acting secretary) is authorized to make technical corrections, such as spelling, grammar, construction, and organization (including removal of obsolete provisions and references), to the Committee's rules, regulations, and orders and other records of Committee action but only with the concurrence of the Committee's general counsel.

(f) *Effective date.* Committee action ordinarily is made effective as of the time it is taken because the nature of the subject matter and the action taken is such that the public interest and the proper discharge of the Committee's responsibilities so require. Occasion-

ally, however, the Committee may specify that an action is to be effective at some different time.

**SECTION 272.5—Notice and Public Procedure**

There ordinarily is no published notice of proposed action by the Committee or public pro-

cedure thereon, as described in section 553 of title 5 of the United States Code, because such notice and procedure are impracticable, unnecessary, or contrary to the public interest.

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<sup>i</sup> The words “this part,” as used herein, means Rules of Procedure of the FOMC (Code of Federal Regulations, title 12, chapter II, part 272).

## Open Market Operations of Federal Reserve Banks

12 CFR 270; as amended effective March 28, 1983

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### SECTION 270.1—Authority

This part<sup>i</sup> is issued by the Federal Open Market Committee (the “Committee”) pursuant to authority conferred upon it by sections 12A and 14 of the Federal Reserve Act (12 USC 263, 355)<sup>ii</sup>.

### SECTION 270.2—Definitions

(a) The term “obligations” means government securities, U.S. agency securities, banker’s acceptances, bills of exchange, cable transfers, bonds, notes, warrants, debentures, and other obligations that Federal Reserve Banks are authorized by law to purchase and sell.

(b) The term “government securities” means direct obligations of the United States (i.e., U.S. bonds, notes, certificates of indebtedness, and Treasury bills) and obligations fully guaranteed as to principal and interest by the United States.

(c) The term “U.S. agency securities” means obligations that are direct obligations of, or are fully guaranteed as to principal and interest by, any agency of the United States.

(d) The term “System Open Market Account” means the obligations acquired pursuant to authorizations and directives issued by the Committee and held on behalf of all Federal Reserve Banks.

### SECTION 270.3—Governing Principles

As required by section 12A of the Federal Reserve Act, the time, character, and volume of all purchases and sales of obligations in the open market by Federal Reserve Banks are governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.

### SECTION 270.4—Transactions in Obligations

(a) Each Federal Reserve Bank shall engage

in open market operations under section 14 of the Federal Reserve Act only in accordance with this part and with the authorizations and directives issued by the Committee from time to time, and no Federal Reserve Bank shall decline to engage in open market operations as directed by the Committee.

(b) Transactions for the System Open Market Account shall be executed by a Federal Reserve Bank selected by the Committee. The participations of the several Federal Reserve Banks in such account and in the profits and losses on transactions for the account shall be allocated in accordance with principles determined by the Committee from time to time.

(c) In accordance with such limitations, terms, and conditions as are prescribed by law and in authorizations and directives issued by the Committee, the Federal Reserve Bank selected by the Committee is authorized and directed—

(1) To buy and sell government securities and U.S. agency securities in the open market for the System Open Market Account, and to exchange maturing securities with the issuer;

(2) To buy and sell banker’s acceptances in the open market for its own account;

(3) To buy government securities, U.S. agency securities, and banker’s acceptances of the kinds described above, under agreements for repurchase of such obligations, in the open market for its own account; and

(4) To buy and sell foreign currencies in the form of cable transfers in the open market for the System Open Market Account and to maintain for such account reciprocal currency arrangements with foreign banks among those designated by the Board of Governors of the Federal Reserve System under section 214.5 of this chapter [Regulation N].

(d) The Federal Reserve Banks are authorized and directed to engage in such other operations as the Committee may from time to time determine to be reasonably necessary to the effective conduct of open

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market operations and the effectuation of open market policies.

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<sup>i</sup> The words “this part,” as used herein, mean Open Market Operations of Federal Reserve Banks (Code of Federal Regulations, title 12, chapter II, part 270).

<sup>ii</sup> At 1-108 and 1-129.

## Procedures for Allocation of Securities in the System Open Market Account

As amended effective March 28, 1995

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1. Securities in the System Open Market Account shall be reallocated at least once each year as determined by the Board's Division of Reserve Bank Operations and Payment Systems and the manager of the System Open Market Account, for the purpose of settling inter-District clearings and approximately equalizing for each Federal Reserve Bank the ratio of gold certificate holdings to Federal Reserve notes outstanding.
2. Until the next reallocation, the account shall be apportioned on the basis of the ratios determined in paragraph 1.
3. Profits and losses on the sale of securities from the account shall be allocated on the day of delivery of the securities sold on the basis of each Federal Reserve Bank's current holdings at the opening of business on that day.

## Resolution Authorizing Certain Actions by Federal Reserve Banks During an Emergency

As amended effective January 27, 2015

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The Federal Open Market Committee (the “Committee”) hereby authorizes each Federal Reserve Bank to take any or all of the actions set forth below during and following a national security emergency when such Federal Reserve Bank finds itself unable after reasonable efforts to be in communication with the Committee or when the Committee is unable to function. Action(s) under this authorization will be taken by a Federal Reserve Bank only after reasonable efforts have been made to consult with the Chairman of the Committee or if the latter is not available with the Vice Chairman of the Committee or if both the Chairman and the Vice Chairman are not available, with whatever member of the Board of Governors may be available to serve as Acting Chairman as provided for by the Committee’s Rules of Organization. In addition, to the extent feasible, the action(s) should be coordinated with other Federal Reserve Banks with which the Federal Reserve Bank is able to communicate.

(1) Whenever it deems it necessary in the light of economic conditions and the general credit situation then prevailing (after taking into account the possibility of providing necessary credit through advanc-

es secured by direct obligations of the United States under the last paragraph of section 13 of the Federal Reserve Act), such Federal Reserve Bank may purchase and sell obligations of the United States for its own account, either outright or under repurchase agreement, from and to banks, dealers, or other holders of such obligations.

(2) Such Federal Reserve Banks may engage in operations of the types specified in the Committee’s authorization for System foreign-currency operations when requested to do so by an authorized official of the U.S. Treasury Department; provided, however, that such Federal Reserve Bank shall take all steps practicable at the time to ensure as far as possible that, in light of the information available on other System foreign-currency operations, its own operations do not result in the aggregate in breaching any of the several dollar limits specified in the authorization.

Authority to take the actions set forth shall be effective only until such time as the Federal Reserve Bank is able again to establish communications with the Committee, and such Committee is then functioning.



## Guidelines for the Conduct of System Open Market Operations in Federal-Agency Issues

Temporarily suspended effective January 27, 2009

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1. System open market operations in federal-agency issues are an integral part of total System open market operations designed to influence bank reserves, money market conditions, and monetary aggregates.

2. System open market operations in federal-agency issues are not designed to support individual sectors of the market or to channel funds into issues of particular agencies.

## Temporary Authority to Operate System Account

As amended effective January 27, 2015

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The Chairman of the Federal Open Market Committee (the “Committee”) is authorized to appoint a Federal Reserve Bank as agent to operate the System Account temporarily in case the Federal Reserve Bank selected by the Committee to execute open market transac-

tions is unable to function. In the event the Chairman exercises such authority, the Chairman also is authorized to appoint a Federal Reserve official to act temporarily as manager of the System Account.

## Federal Open Market Committee—Rules Regarding Availability of Information

12 CFR 271; as amended effective February 16, 2005

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### SECTION 271.1—Authority and Purpose

(a) *Authority.* This part<sup>1</sup> is issued by the Federal Open Market Committee (the Committee) pursuant to the Freedom of Information Act, 5 USC 552, and also pursuant to the Committee's authority under section 12A of the Federal Reserve Act, 12 USC 263, to issue regulations governing the conduct of its business.

(b) *Purpose.* This part sets forth the categories of information made available to the public and the procedures for obtaining documents and records.

### SECTION 271.2—Definitions

(a) *Board* means the Board of Governors of the Federal Reserve System established by the Federal Reserve Act of 1913 (38 Stat. 251).

(b) *Commercial use request* refers to a request from or on behalf of one who seeks information for a use or purpose that furthers the commercial, trade, or profit interests of the requester or the person on whose behalf the request is made.

(c) *Direct costs* mean those expenditures that the Committee actually incurs in searching for, reviewing, and duplicating documents in response to a request made under section 271.5.

(d) *Duplication* refers to the process of making a copy of a document in response to a request for disclosure of records or for inspection of original records that contain exempt material or that otherwise cannot be inspected directly. Among others, such copies may take the form of paper, microform, audiovisual materials, or machine-readable documentation (e.g., magnetic tape or disk).

(e) *Education institution* refers to a preschool, a public or private elementary or secondary school, or an institution of undergraduate higher education, graduate higher education, professional education, or an institution of vocational education that operates a program of scholarly research.

(f) *Federal Reserve Bank* means one of the

District Banks authorized by the Federal Reserve Act, 12 USC 222, including any branch of any such Bank.

(g) *Information of the Committee* means all information coming into the possession of the Committee or of any member thereof or of any officer, employee, or agent of the Committee, the Board, or any Federal Reserve Bank, in the performance of duties for, or pursuant to the direction of, the Committee.

(h) *Noncommercial scientific institution* refers to an institution that is not operated on a "commercial" basis (as that term is used in this section) and which is operated solely for the purpose of conducting scientific research, the results of which are not intended to promote any particular product or industry.

(i) *Records of the Committee* includes rules, statements, decisions, minutes, memoranda, letters, reports, transcripts, accounts, charts, and other written material, as well as any materials in machine-readable form that constitute a part of the Committee's official files.

(j) *Representative of the news media* refers to any person actively gathering news for an entity that is organized and operated to publish or broadcast news to the public.

(1) The term "news" means information about current events or that would be of current interest to the public.

(2) Examples of news-media entities include, but are not limited to, television or radio stations broadcasting to the public at large, and publishers of newspapers and other periodicals (but only in those instances when they can qualify as disseminators of "news") who make their products available for purchase or subscription by the general public.

(3) "Freelance" journalists may be regarded as working for a news organization if they can demonstrate a solid basis for expecting publication through that organization, even though not actually employed by it.

(k)(1) *Review* refers to the process of examining documents, located in response to a request for access, to determine whether any portion of a document is exempt infor-

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mation. It includes doing all that is necessary to excise the documents and otherwise to prepare them for release.

(2) *Review* does not include time spent resolving general legal or policy issues regarding the application of exemptions.

(D)(1) *Search* means a reasonable search, by manual or automated means, of the Committee's official files and any other files containing records of the Committee as seem reasonably likely in the particular circumstances to contain documents of the kind requested. For purposes of computing fees under section 271.9, search time includes all time spent looking for material that is responsive to a request, including line-by-line identification of material within documents. Such activity is distinct from "review" of material to determine whether the material is exempt from disclosure.

(2) *Search* does not mean or include research, creation of any document, or extensive modification of an existing program or system that would significantly interfere with the operation of the Committee's automated information system.

## SECTION 271.3—Published Information

(a) *Federal Register*. The Committee publishes in the *Federal Register*, in addition to this part:

- (1) a description of its organization;
- (2) statements of the general course and method by which its functions are channeled and determined;
- (3) rules of procedure;
- (4) substantive rules of general applicability, and statements of general policy and interpretations of general applicability formulated and adopted by the Committee;
- (5) every amendment, revision, or repeal of the foregoing; and
- (6) general notices of proposed rulemaking.

(b) *Annual report to Congress*. Each annual report made to Congress by the Board includes a complete record of the actions taken by the Committee during the preceding year

upon all matters of policy relating to open market operations, showing the reasons underlying the actions, and the votes taken.

(c) *Other published information*. From time to time, other information relating to open market operations of the Federal Reserve Banks is published in the *Federal Reserve Bulletin*, in the Board's annual report to Congress, and in announcements and statements released to the press. Copies of issues of the *Bulletin* and of annual reports of the Board may be obtained from the Publications Services Section of the Federal Reserve Board, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551 (pedestrian entrance is on C Street, N.W.). Subscription or other charges may apply.

## SECTION 271.4—Records Available for Public Inspection and Copying

(a) *Types of records made available*. Unless they were published promptly and made available for sale or without charge, certain records shall be made available for inspection and copying at the Board's Freedom of Information Office pursuant to 5 USC 552(a)(2).

(b) *Reading room procedures*.

(1) Information available under this section is available for inspection and copying, from 9:00 a.m. to 5:00 p.m. weekdays, at the Freedom of Information Office of the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551 (the pedestrian entrance is on C Street, N.W.).

(2) The Committee may determine that certain classes of publicly available filings shall be made available for inspection and copying only at the Federal Reserve Bank where those records are maintained.

(c) *Electronic records*. Information available under this section that was created on or after November 1, 1996, shall also be available on the Board's web site, found at [www.federalreserve.gov](http://www.federalreserve.gov).

(d) *Privacy protection*. The Committee may delete identifying details from any record to prevent a clearly unwarranted invasion of per-

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sonal privacy.

#### SECTION 271.5—Records Available to the Public on Request

(a) *Types of records made available.* All records of the Committee that are not available under sections 271.3 and 271.4 shall be made available upon request, pursuant to the procedures in this section and the exceptions in section 271.7.

(b) *Procedures for requesting records.*

(1) A request for identifiable records shall reasonably describe the records in a way that enables the Committee’s staff to identify and produce the records with reasonable effort and without unduly burdening or significantly interfering with any of the Committee’s operations. Information that assists staff in identifying responsive records includes the subject matter and date or time frame of the information requested.

(2) The request shall be submitted in writing to the secretary of the Committee:

(i) By completing the online request form located on the FOMC’s FOIA internet site at [www.federalreserve.gov/forms/FOMCForm.aspx](http://www.federalreserve.gov/forms/FOMCForm.aspx);

(ii) By facsimile clearly marked “Freedom of Information Act Request” to (202) 452-2921; or

(iii) By letter clearly marked “Freedom of Information Act Request” to the Federal Open Market Committee Secretariat, 20th and C Street, N.W., Washington, D.C. 20551;

(c) *Contents of request.* The request shall contain the following information:

(1) the name and address of the requester, and the telephone number at which the requester can be reached during normal business hours;

(2) whether the requested information is intended for commercial use, and whether the requester represents an educational or noncommercial scientific institution, or news media;

(3) a statement agreeing to pay the applicable fees, or a statement identifying any

fee limitation desired, or a request for a waiver or reduction of fees that satisfies section 271.9(f).

(d) *Defective requests.* The Committee need not accept or process a request that does not reasonably describe the records requested or that does not otherwise comply with the requirements of this section. The Committee may return a defective request, specifying the deficiency. The requester may submit a corrected request, which will be treated as a new request.

#### SECTION 271.6—Processing Requests

(a) *Receipt of requests.* The date of receipt for any request, including one that is addressed incorrectly or that is referred to the Committee by another agency or by a Federal Reserve Bank, is the date the secretary of the Committee actually receives the request.

(b) *Priority of responses.* The Committee shall normally process requests in the order they are received. However, in the secretary’s discretion, or upon a court order in a matter to which the Committee is a party, a particular request may be processed out of turn.

(c) *Expedited processing.* Where a person requesting expedited access to records has demonstrated a compelling need for the records, or where the Committee has determined to expedite the response, the Committee shall process the request as soon as practicable.

(1) To demonstrate a compelling need for expedited processing, the requester shall provide a certified statement, a sample of which may be obtained from the Board’s Freedom of Information Office. The statement, certified to be true and correct to the best of the requester’s knowledge and belief, shall demonstrate that—

(i) the failure to obtain the records on an expedited basis could reasonably be expected to pose an imminent threat to the life or physical safety of an individual; or

(ii) the requester is a representative of the news media, as defined in section 271.2, and there is urgency to inform the

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 § 271.6 Federal Open Market Committee—Rules Regarding Availability of Information
 

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- public concerning actual or alleged Committee activity.
- (2) In response to a request for expedited processing, the secretary of the Committee shall notify a requester of the determination within 10 working days of receipt of the request. In exceptional situations, the secretary of the Committee has the discretion to waive the formality of certification. If the secretary of the Committee denies a request for expedited processing, the requester may file an appeal pursuant to the procedures set forth in paragraph (i) of this section, and the Committee shall respond to the appeal within 10 working days after the appeal was received by the Committee.
- (d) *Time limits.* The time for response to requests shall be 20 working days, except—
- (1) in the case of expedited treatment under paragraph (c) of this section;
  - (2) where the running of such time is suspended for payment of fees pursuant to section 271.9(b)(2);
  - (3) in unusual circumstances, as defined in 5 USC 552(a)(6)(B). In such circumstances, the time limit may be extended for a period of time not to exceed—
    - (i) 10 working days as provided by written notice to the requester, setting forth the reasons for the extension and the date on which a determination is expected to be dispatched; or
    - (ii) such alternative time period as mutually agreed to by the secretary of the Committee and the requester when the secretary of the Committee notifies the requester that the request cannot be processed in the specified time limit.
- (e) *Response to request.* In response to a request that satisfies section 271.5, an appropriate search shall be conducted of records of the Committee in existence on the date of receipt of the request, and a review made of any responsive information located. The secretary shall notify the requester of—
- (1) the Committee’s determination of the request;
  - (2) the reasons for the determination;
  - (3) the amount of information withheld;
  - (4) the right of the requester to appeal to the Committee any denial or partial denial, as specified in paragraph (h) of this section; and
  - (5) in the case of a denial of a request, the name and title or position of the person responsible for the denial.
- (f) *Referral to another agency.* To the extent a request covers documents that were created by, obtained from, or classified by another agency, the Committee may refer the request to that agency for a response and inform the requester promptly of the referral.
- (g) *Providing responsive records.*
- (1) Copies of requested records shall be sent to the requester by regular U.S. mail to the address indicated in the request, unless the requester elects to take delivery of the documents at the Board’s Freedom of Information Office or makes other acceptable arrangements, or the Committee deems it appropriate to send the documents by another means.
  - (2) The Committee shall provide a copy of the record in any form or format requested if the record is readily reproducible by the Committee in that form or format, but the Committee need not provide more than one copy of any record to a requester.
- (h) *Appeal of denial of request.* Any person denied access to Committee records requested under section 271.5 may file a written appeal with the Committee, as follows:
- (1) The appeal shall prominently display the phrase *FREEDOM OF INFORMATION ACT APPEAL* on the first page, and shall be addressed to the Secretary of the Committee, Federal Open Market Committee, 20th and C Street, N.W., Washington, D.C. 20551; or sent by facsimile to the secretary of the Committee, (202) 452-2921.
  - (2) An initial request for records may not be combined in the same letter with an appeal.
  - (3) The Committee, or such member of the Committee as is delegated the authority, shall make a determination regarding any appeal within 20 working days of actual receipt of the appeal by the secretary, and the

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determination letter shall notify the appealing party of the right to seek judicial review of such denial.

**SECTION 271.7—Exemptions from Disclosure**

(a) *Types of records exempt from disclosure.* Pursuant to 5 USC 552(b), the following records of the Committee are exempt from disclosure under this part:

(1) *National defense.* Any information that is specifically authorized under criteria established by an executive order to be kept secret in the interest of national defense or foreign policy and is in fact properly classified pursuant to the executive order.

(2) *Internal personnel rules and practices.* Any information related solely to the internal personnel rules and practices of the Board.

(3) *Statutory exemption.* Any information specifically exempted from disclosure by statute (other than 5 USC 552(b)), if the statute—

- (i) requires that the matters be withheld from the public in such a manner as to leave no discretion on the issue; or
- (ii) establishes particular criteria for withholding or refers to particular types of matters to be withheld.

(4) *Trade secrets; commercial or financial information.* Any matter that is a trade secret or that constitutes commercial or financial information obtained from a person and that is privileged or confidential.

(5) *Inter- or intra-agency memorandums.* Information contained in inter- or intra-agency memorandums or letters that would not be available by law to a party (other than an agency) in litigation with an agency, including, but not limited to—

- (i) memorandums;
- (ii) reports;
- (iii) other documents prepared by the staffs of the Committee, Board or Federal Reserve Banks; and
- (iv) records of deliberations of the Committee and of discussions at meetings

of the Committee or its staff.

(6) *Personnel and medical files.* Any information contained in personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy.

(7) *Information compiled for law enforcement purposes.* Any records or information compiled for law enforcement purposes, to the extent permitted under 5 USC 552(b)(7).

(8) *Examination, inspection, operating, or condition reports, and confidential supervisory information.* Any matter that is contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions, including a state financial institution supervisory agency.

(b) *Segregation of nonexempt information.* The Committee shall provide any reasonably segregable portion of a record that is requested after deleting those portions that are exempt under this section.

(c) *Discretionary release.* Except where disclosure is expressly prohibited by statute, regulation, or order, the Committee may authorize the release of records that are exempt from mandatory disclosure whenever the Committee or designated Committee members determines that such disclosure would be in the public interest.

(d) *Delayed release.* Publication in the *Federal Register* or availability to the public of certain information may be delayed if immediate disclosure would likely—

- (1) interfere with accomplishing the objectives of the Committee in the discharge of its statutory functions;
- (2) interfere with the orderly conduct of the foreign affairs of the United States;
- (3) permit speculators or others to gain unfair profits or other unfair advantages by speculative trading in securities or otherwise;
- (4) result in unnecessary or unwarranted disturbances in the securities markets;
- (5) interfere with the orderly execution of

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the objectives or policies of other government agencies; or

(6) impair the ability to negotiate any contract or otherwise harm the commercial or financial interest of the United States, the Committee, the Board, any Federal Reserve Bank, or any department or agency of the United States.

(e) *Prohibition against disclosure.* Except as provided in this part, no officer, employee, or agent of the Committee or any Federal Reserve Bank shall disclose or permit the disclosure of any unpublished information of the Committee to any person (other than Committee officers, employees, or agents properly entitled to such information for the performance of official duties).

## SECTION 271.8—Subpoenas

(a) *Advice by person served.* If any person, whether or not an officer or employee of the Committee, of the Board of Governors of the Federal Reserve System, or of a Federal Reserve Bank, has information of the Committee that may not be disclosed by reason of section 271.7 and in connection therewith is served with a subpoena, order, or other process requiring the person's personal attendance as a witness or the production of documents or information upon any proceeding, the person should promptly inform the secretary of the Committee of such service and of all relevant facts, including the documents and information requested and any facts that may be of assistance in determining whether such documents or information should be made available; and the person should take action at the appropriate time to inform the court or tribunal that issued the process, and the attorney for the party at whose instance the process was issued, if known, of the substance of this part.

(b) *Appearance by person served.* Except as disclosure of the relevant information is authorized pursuant to this part, any person who has information of the Committee and is required to respond to a subpoena or other legal process shall attend at the time and place

therein mentioned and decline to disclose such information or give any testimony with respect thereto, basing such refusal upon this part. If, notwithstanding, the court or other body orders the disclosure of such information, or the giving of such testimony, the person having such information of the Committee shall continue to decline to disclose such information and shall promptly report the facts to the Committee for such action as the Committee may deem appropriate.

## SECTION 271.9—Fee Schedules; Waiver of Fees

(a) *Fee schedules.* The fees applicable to a request for records pursuant to 271.4 and 271.5 are set forth in appendix A to this section. These fees cover only the full allowable direct costs of search, duplication, and review. No fees will be charged where the average cost of collecting the fee (calculated at \$5.00) exceeds the amount of the fee.

(b) *Payment procedures.* The secretary may assume that a person requesting records pursuant to section 271.5 will pay the applicable fees, unless the request includes a limitation on fees to be paid or seeks a waiver or reduction of fees pursuant to paragraph (f) of this section.

(1) *Advance notification of fees.* If the estimated charges are likely to exceed \$100, the secretary of the Committee shall notify the requester of the estimated amount, unless the requester has indicated a willingness to pay fees as high as those anticipated. Upon receipt of such notice, the requester may confer with the secretary to reformulate the request to lower the costs.

(2) *Advance payment.* The secretary may require advance payment of any fee estimated to exceed \$250. The secretary may also require full payment in advance where a requester has previously failed to pay a fee in a timely fashion. The time period for responding to requests under section 271.6(d), and the processing of the request shall be suspended until the secretary receives the required payment.



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(3) *Late charges.* The secretary may assess interest charges when fee payment is not made within 30 days of the date on which the billing was sent. Interest is at the rate prescribed in 31 USC 317 and accrues from the date of the billing.

(c) *Categories of uses.* The fees assessed depend upon the intended use for the records requested. In determining which category is appropriate, the secretary shall look to the intended use set forth in the request for records. Where a requester's description of the use is insufficient to make a determination, the secretary may seek additional clarification before categorizing the request.

(1) *Commercial use.* The fees for search, duplication, and review apply when records are requested for commercial use.

(2) *Educational, research, or media use.* The fees for duplication apply when records are not sought for commercial use, and the requester is a representative of the news media or an educational or noncommercial scientific institution, whose purpose is scholarly or scientific research. The first 100 pages of duplication, however, will be provided free.

(3) *All other uses.* For all other requests, the fees for document search and duplication apply. The first two hours of search time and the first 100 pages of duplication, however, will be provided free.

(d) *Nonproductive search.* Fees for search and review may be charged even if no responsive documents are located or if the request is denied.

(e) *Aggregated requests.* A requester may not file multiple requests at the same time, solely in order to avoid payment of fees. If the secretary reasonably believes that a requester is separating a request into a series of requests for the purpose of evading the assessment of fees, the secretary may aggregate any such requests and charge accordingly. It is considered reasonable for the secretary to presume that multiple requests of this type made within a 30-day period have been made to avoid fees.

(f) *Waiver or reduction of fees.* A request

for a waiver or reduction of the fees, and the justification for the waiver, shall be included with the request for records to which it pertains. If a waiver is requested and the requester has not indicated in writing an agreement to pay the applicable fees if the waiver request is denied, the time for response to the request for documents, as set forth in section 271.6(d), shall not begin until a determination has been made on the request for a waiver or reduction of fees.

(1) *Standards for determining waiver or reduction.* The secretary shall grant a waiver or reduction of fees where it is determined both that disclosure of the information is in the public interest because it is likely to contribute significantly to public understanding of the operation or activities of the government, and that the disclosure of information is not primarily in the commercial interest of the requester. In making this determination, the following factors shall be considered:

- (i) whether the subject of the records concerns the operations or activities of the government;
- (ii) whether disclosure of the information is likely to contribute significantly to public understanding of government operations or activities;
- (iii) whether the requester has the intention and ability to disseminate the information to the public;
- (iv) whether the information is already in the public domain;
- (v) whether the requester has a commercial interest that would be furthered by the disclosure; and, if so,
- (vi) whether the magnitude of the identified commercial interest of the requester is sufficiently large, in comparison with the public interest in disclosure, that disclosure is primarily in the commercial interest of the requester.

(2) *Contents of request for waiver.* A request for a waiver or reduction of fees shall include—

- (i) a clear statement of the requester's interest in the documents;

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- (ii) the use proposed for the documents and whether the requester will derive income or other benefit for such use;
  - (iii) a statement of how the public will benefit from such use and from the Committee’s release of the documents;
  - (iv) a description of the method by which the information will be disseminated to the public; and
  - (v) if specialized use of the information is contemplated, a statement of the requester’s qualifications that are relevant to that use.
- (3) *Burden of proof.* The burden shall be on the requester to present evidence or information in support of a request for a waiver or reduction of fees.
- (4) *Determination by secretary.* The secretary shall make a determination on the request for a waiver or reduction of fees and shall notify the requester accordingly. A denial may be appealed to the Committee in accordance with section 271.6(h).
- (g) *Employee requests.* In connection with any request by an employee, former employee, or applicant for employment, for records for use in prosecuting a grievance or complaint of discrimination against the Committee, fees shall be waived where the total charges (including charges for information provided under the Privacy Act of 1974 (5 USC 552a)) are \$50 or less; but the secretary may waive fees in excess of that amount.
- (h) *Special services.* The secretary may agree to provide, and set fees to recover the costs of, special services not covered by the

Freedom of Information Act, such as certifying records or information and sending records by special methods such as express mail or overnight delivery.

Appendix A to Section 271.9—Freedom of Information Fee Schedule

<i>Duplication</i>	
Photocopy, per standard page	\$ 0.10
Paper copies of microfiche, per frame	\$ 0.10
Duplicate microfiche, per microfiche	\$ 0.35
 <i>Search and Review</i>	
Clerical/technical, hourly rate	\$20.00
Professional/supervisory, hourly rate	\$38.00
Manager/senior professional, hourly rate	\$65.00
 <i>Computer Search and Production</i>	
Computer operator search, hourly rate	\$32.00
Tapes (cassette), per tape	\$ 6.00
Tapes (cartridge), per tape	\$ 9.00
Tapes (reel), per tape	\$18.00
Diskettes (3 ½”), per diskette	\$ 4.00
Diskettes (5 ¼”), per diskette	\$ 5.00
Computer output (PC), per minute	\$ 0.10
Computer output (mainframe)	actual cost

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<sup>i</sup> The words “this part,” as used herein, mean these Rules Regarding Availability of Information (Code of Federal Regulations, title 12, chapter II, part 271).

## FOMC Policy on External Communications of Committee Participants<sup>1</sup>

Adopted effective June 22, 2011; as amended effective January 27, 2015

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### PREAMBLE

The Federal Open Market Committee (the “Committee”) is committed to providing clear and timely information to the public about the Committee’s monetary policy actions and the rationale for those decisions. Indeed, considerable evidence indicates that central bank transparency increases the effectiveness of monetary policy and enables households and businesses to make better-informed decisions.

Two-way communication with the public is a crucial element in the Committee’s monetary policy process. Committee participants have regular contacts with members of the public as part of the process of gathering the information the Committee needs to understand current economic and financial conditions. In addition, the Committee’s public accountability is strengthened by open discussion of Committee participants’ views about the economic outlook as well as their judgments about the appropriate course of monetary policy.

Therefore, to reinforce the public’s confidence in the transparency and integrity of the monetary policy process, the Committee has established the following principles to govern Committee participants’ contacts with members of the public. The Committee itself maintains responsibility for ensuring that all Committee participants—that is, the members of the Federal Reserve Board and the presidents of the Federal Reserve Banks—abide by these principles.<sup>2</sup>

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<sup>1</sup> “Committee participants” includes the Committee members and non-voting presidents of the Federal Reserve Banks. The Committee’s policy governing the external communications of Federal Reserve System staff is set forth in a separate document.

<sup>2</sup> This policy is fully consistent with and complements the more general policies for ethical conduct published in the *Federal Reserve Administrative Manual* (“FRAM”) section 2-026.1 (“Ethics—Voluntary Guide to Conduct for Senior Officials”). That section recognizes the overarching principle that senior Federal Reserve officials “have a special

### GENERAL PRINCIPLES

1. Committee participants will endeavor to enhance the public’s understanding of monetary policy. They are free to explain their individual views but are expected to do so in a spirit of collegiality and to refrain from characterizing the views of other individuals on the Committee. In explaining the rationale for announced Committee decisions, participants will draw on Committee communications and the Chairman’s press conference remarks as appropriate.

2. To foster the ongoing frank exchange of views at Committee meetings, Committee participants will refrain from publicly characterizing such discussions beyond what has been published in the minutes of each Committee meeting.

3. To protect the independence of the Committee’s decision-making process from short-term political pressures, participants will strive to avoid any appearance of political partisanship and will be prudent in selecting venues for their speaking engagements.

4. Committee participants will carefully safeguard all confidential information.<sup>3</sup> No confidential FOMC information may be released except pursuant to Committee instructions or with written authorization from the Chairman and prompt notification to the Committee.

5. To the fullest extent possible, Committee participants will refrain from describing their personal views about monetary policy in

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responsibility for maintaining the integrity, dignity, and reputation of the System” and “should scrupulously avoid conduct that might in any way tend to embarrass the System or impair the effectiveness of its operations.” The policy in this document focuses specifically on external communications and is binding on all Committee participants.

<sup>3</sup> The Committee’s regulations concerning the designation and handling of confidential FOMC information are set forth in a separate document, “*Program for Security of FOMC Information*,” available at [www.federalreserve.gov/monetarypolicy/files/FOMC\\_InformationSecurityProgram.pdf](http://www.federalreserve.gov/monetarypolicy/files/FOMC_InformationSecurityProgram.pdf).

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## FOMC Policy on External Communications of Committee Participants

any meeting or conversation with any individual, firm, or organization who could profit financially from acquiring that information unless those views have already been expressed in their public communications.

6. Committee participants will strive to ensure that their contacts with members of the public do not provide any profit-making person or organization with a prestige advantage over its competitors. They will consider this principle carefully and rigorously in scheduling meetings with anyone who might benefit financially from apparently exclusive contacts with Federal Reserve officials and in considering invitations to speak at meetings that are sponsored by profit-making organizations or that are closed to the public and the media.

7. To facilitate the effectiveness of the Committee's policy deliberations and the clarity of its communications, participants will observe a blackout period on monetary policy communications in conjunction with each regularly scheduled Committee meeting. The blackout period will begin at midnight Eastern Time seven days before the beginning of the meeting—for example, if the Committee meeting is scheduled to begin on a Tuesday, the blackout period will begin at the start of the preceding Tuesday—and will end at midnight Eastern Time on the next day after the meeting—for example, if the Committee meeting ends on a Wednesday, the blackout period will end at the end of Thursday. During each blackout period, participants refrain from expressing their views about macroeconomic developments or monetary policy issues in meetings or conversations with members of the public.

## PRACTICAL EXAMPLES

To assist Committee participants in understanding the application of these principles, the Committee has considered how the principles should be applied to some common requests for public contact. For example, the following contacts would generally be con-

sistent with the Committee's policy on external communications, as long as the participant carefully adheres to all of the principles listed above during the contact itself:

1. A speech on a monetary policy topic at a widely-attended event with press in attendance, where the event is organized by a non-profit entity and does not involve fundraising. Such a speech might be given at an academic institution, a conference sponsored by a non-profit organization, or a meeting sponsored by a civic or trade association (such as a chamber of commerce or a state or national bankers' association).

2. An interview with the press regarding the participant's personal views on monetary policy issues.

3. A private meeting with members of the public—such as bankers, community representatives, industry representatives, or labor representatives—to collect information about the economy without disseminating any information about the participant's personal views on monetary policy unless those views have already been expressed in their public communications. Whenever practical, a public information officer or other Federal Reserve staff should be present at such a meeting.

In contrast, the following contacts would not be consistent with the principles set out above:

1. Disclosure in any setting of confidential FOMC information.

2. Disclosure or characterization in any setting of the views that others expressed at a Committee meeting.

3. A prediction about Committee action in advance of the Committee announcement of its decision.

4. A private meeting with selected clients of a regulated entity or financial firm to discuss monetary policy.

Of course, the foregoing examples are not intended to serve as an exhaustive list, and hence good judgment will be essential in applying these principles.

## FOMC Policy on External Communications of Federal Reserve System Staff<sup>1</sup>

Adopted effective June 22, 2011; as amended effective January 27, 2015

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### PREAMBLE

In the course of making monetary policy decisions, the Federal Open Market Committee (the “Committee”) makes extensive use of background materials prepared by the staff of the Federal Reserve System, and senior staff give regular briefings at Committee meetings. In addition, staff are directly involved in the implementation and communication of the Committee’s policy decisions.

Federal Reserve System staff have contacts with members of the public in the process of gathering information about current economic and financial conditions. In addition, staff synthesize that information using a variety of analytical methods and statistical tools, and the continual refinement of these methods and tools is facilitated by ongoing interactions with academic researchers, staff at foreign central banks, and other outside analysts. Finally, staff play a significant role in helping the public understand the rationale for Committee decisions. The principles described below recognize the importance of these activities for monetary policymaking and are not intended to inhibit the staff from conducting or broadly disseminating economic research or from carrying out other appropriate communications with members of the public.

To reinforce the public’s confidence in the transparency and integrity of the monetary policy process, the Committee has established the following principles to govern the public contacts of Federal Reserve System staff who have access to confidential FOMC information.<sup>2</sup> The Committee maintains responsibility for ensuring that all System staff with such access abide by these principles. Specif-

ically, the president of each Federal Reserve Bank is responsible for ensuring the confidentiality of FOMC information at that Federal Reserve Bank and for the conduct and discretion of that Federal Reserve Bank’s staff with regard to the use of that information, and the Chairman fulfills this role for Board staff.

### GENERAL PRINCIPLES

1. Federal Reserve staff play a significant role in enhancing public understanding of the Committee’s actions, thereby promoting the effectiveness of monetary policy. In all communications with the public regarding monetary policy issues, members of the staff should refrain from publicly expressing their own personal opinions or predictions regarding prospective monetary policy decisions. In explaining the rationale for announced Committee decisions, staff should draw on Committee communications, the Chairman’s press conference remarks, and other published materials as appropriate. Whenever staff make public comments on monetary policy, they should clearly indicate that those comments are solely their own responsibility and should not be interpreted as necessarily representing the views of the Committee, its principals, or any other person associated with the Federal Reserve System.

2. To foster the ongoing frank exchange of views at Committee meetings, staff will refrain from characterizing such discussions—apart from what has been published in the minutes of each Committee meeting—in any contact with an individual, firm, or organization outside of the Federal Reserve System.

3. To protect the independence of the Committee’s decision-making process from short-term political pressures, members of the staff of the Board and Federal Reserve Banks will follow their respective codes of conduct regarding partisan political activities and strive to avoid any appearance of political partisanship when discussing economic or policy issues with the public.

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<sup>1</sup> This document complements the Committee policy regarding the external communication of Committee participants, which is set forth in a separate document.

<sup>2</sup> This policy is fully consistent with and complements the rules for ethical conduct prescribed for the staff of the Board of Governors and for staff at each Federal Reserve Bank.

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FOMC Policy on External Communications of Federal Reserve System Staff

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4. Staff will carefully safeguard all confidential FOMC information.<sup>3</sup> No confidential information may be released except pursuant to Committee instructions or with written authorization from the Chairman and prompt notification to the Committee.

5. Unless the information has been made widely available to the public, Federal Reserve staff members will refrain from disseminating information outside the Federal Reserve System, such as information about economic and financial conditions or about the methods and tools that are currently being used to assess those conditions, that might allow an individual, firm, or organization to profit financially.

6. Staff will strive to ensure that their contacts with members of the public do not provide any profit-making person, firm, or organization with a prestige advantage over its competitors. They will consider this principle carefully and rigorously in considering invitations to speak at meetings sponsored by profit-making organizations and in scheduling meetings with anyone who might benefit financially from apparently-exclusive contacts with Federal Reserve staff.

7. To facilitate the effectiveness of the Committee's policy deliberations and the clarity of its communications, staff will observe the blackout period on monetary policy communications in conjunction with each regularly scheduled Committee meeting. The blackout period will begin at midnight Eastern Time seven days before the beginning of the meeting—for example, if the Committee meeting is scheduled to begin on a Tuesday, the blackout period will begin at the start of the preceding Tuesday—and will end at midnight Eastern Time on the next day after the meeting—for example, if the Committee

meeting ends on a Wednesday, the blackout period will end at the end of Thursday. During each blackout period, staff will refrain from expressing their views or providing analysis to members of the public about macroeconomic or financial developments or about current or prospective monetary policy issues unless that information has already been cleared for publication and made widely available to the public prior to the blackout period. Staff will be able to carry out their responsibilities for public dissemination of published Federal Reserve data and System surveys and reports, including answering technical questions specific to a data release.

8. In carrying out their official responsibilities, Federal Reserve staff engage in certain closely-held communications with other parts of the U.S. government, with foreign central banks and governments, and with international organizations such as the International Monetary Fund and the Bank for International Settlements. In communicating with individuals from such institutions, staff may exchange views on current economic and financial conditions or discuss policy-related matters of interest to the Federal Reserve, including non-public information, and such communications are not subject to the blackout period described above. In all such interactions, however, no confidential FOMC information may be released except pursuant to Committee instructions or with written authorization from the Chairman and prompt notification to the Committee.

#### PRACTICAL EXAMPLES

To assist Federal Reserve System staff in understanding the application of these principles, the Committee has considered how the principles should be applied to some common requests for public contact. For example, the following contacts would generally be consistent with the Committee's policy on external communications, as long as the staff member carefully adheres to all of the principles listed above during the contact itself:

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<sup>3</sup> The Committee's regulations concerning the designation and handling of confidential FOMC information are set forth in a separate document, "*Program for Security of FOMC Information*," available at [www.federalreserve.gov/monetarypolicy/files/FOMC\\_InformationSecurityProgram.pdf](http://www.federalreserve.gov/monetarypolicy/files/FOMC_InformationSecurityProgram.pdf).

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 FOMC Policy on External Communications of Federal Reserve System Staff
 

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1. A presentation at a widely-attended meeting, where the event is organized by a non-profit entity and does not involve fundraising. Such a meeting might be sponsored by an academic institution, non-profit organization, or civic or trade association (such as a chamber of commerce or a state or national bankers' association).

2. A private meeting with members of the public—such as bankers, community representatives, industry representatives, or labor representatives—to collect information about current economic and financial conditions, without disseminating any information that is not widely available to the public. Whenever practical, at least two Federal Reserve staff should be present at such a meeting.

3. A working paper, presentation, or publication that evaluates the effectiveness of monetary policy actions taken in the past.

4. A discussion between Federal Reserve and Treasury staff (including during the blackout period) regarding recent economic and financial developments in a foreign economy, how to interpret them, and their implications for future developments.

In contrast, the following contacts would *not* be consistent with the principles set out above:

1. Disclosure of confidential FOMC information.

2. Disclosure or characterization of the views expressed at a Committee meeting.

3. Disclosure of a Committee participant's personal views on monetary policy that have not previously been communicated to the public.

4. Public communications in which a Federal Reserve staff member expresses personal opinions about prospective monetary policy decisions.

5. A prediction to members of the public about Committee action prior to the Committee's announcement of such decisions.

6. A private meeting with selected clients of a regulated entity or financial firm to discuss monetary policy.

Of course, the foregoing examples are not intended to serve as an exhaustive list, and hence good judgment will be essential in applying these principles. Moreover, whenever staff are unsure about whether specific contacts with the public would be appropriate, they should consult in advance with the appropriate staff person or with the head of their respective institution—namely, the Chairman in the case of staff at the Board of Governors, and the president in the case of staff at a Federal Reserve Bank.

## Federal Open Market Committee—Statements of Policy

12 CFR 281; as amended effective February 16, 2005

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### SECTION 281.1—Policy Regarding the Government in the Sunshine Act<sup>i</sup>

On September 13, 1976, there was enacted into law the Government in the Sunshine Act, Pub. L. No. 94-409, 90 Stat. 1241 (“Sunshine Act”), established for the purpose of providing the public with the “fullest practicable information regarding the decision-making processes of the Federal Government...while protecting the rights of individuals and the ability of the Government to carry out its responsibilities.”<sup>ii</sup> The Sunshine Act applies only to those federal agencies that are defined in section 552(e) of title 5 of the United States Code and “headed by a collegial body composed of two or more individual members, a majority of whom are appointed to such position by the President with the advice and consent of the Senate, and any subdivision thereof authorized to act on behalf of the agency.”<sup>iii</sup>

The Federal Open Market Committee (“FOMC”) is a separate and independent statutory body within the Federal Reserve System. In no respect is it an agent or “subdivision” of the Board of Governors of the Federal Reserve System (“Board of Governors”). It was originally established by the Banking Act of 1933 and restructured in its present form by the Banking Act of 1935 and subsequent legislation in 1942 (generally see 12 USC 263(a)). The FOMC’s membership is composed of the seven members of the Board of Governors and five representatives of the Federal Reserve Banks who are selected annually in accordance with the procedures set forth in section 12A of the Federal Reserve Act, 12 USC 263(a). Members of the Board of Governors serve in an ex officio capacity on the FOMC by reason of their appointment as members of the Board of Governors, not as a result of an appointment “to such position” (the FOMC) by the President. Representatives of the Federal Reserve Banks serve on the FOMC not as a result of an appointment “to such position” by the President, but rather by virtue of their positions with the Federal Reserve Banks and their selection pursuant to

section 12A of the Federal Reserve Act. It is clear therefore that the FOMC does not fall within the scope of an “agency” or “subdivision” as defined in the Sunshine Act and consequently is not subject to the provisions of that act.

As explained below, the act would not require the FOMC to hold its meetings in open session even if the FOMC were covered by the act. However, despite the conclusion reached that the Sunshine Act does not apply to the FOMC, the FOMC has determined that its procedures and timing of public disclosure already are conducted in accordance with the spirit of the Sunshine Act, as that act would apply to deliberations of the nature engaged in by the FOMC.

In the foregoing regard, the FOMC has noted that while the act calls generally for open meetings of multi-member federal agencies, 10 specific exemptions from the open meeting requirement are provided to assure the ability of the government to carry out its responsibilities. Among the exemptions provided is that which authorizes any agency operating under the act to conduct closed meetings where the subject of a meeting involves information “the premature disclosure of which would—in the case of an agency which regulates currencies, securities, commodities, or financial institutions, be likely to lead to significant financial speculation in currencies, securities, or commodities.”<sup>iv</sup>

As to meetings closed under such exemption, the act requires the maintenance of either a transcript, electronic recording or minutes and sets forth specified, detailed requirements as to the contents and timing of disclosure of certain portions or all of such minutes. The act permits the withholding from the public of the minutes where disclosure would be likely to produce adverse consequences of the nature described in the relevant exemptions.

The FOMC has reviewed the agenda of its monthly meetings for the past three years and has determined that all such meetings could have been closed pursuant to the exemption dealing with financial speculation or other exemptions set forth in the Sunshine Act. The



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FOMC has further determined that virtually all of its substantive deliberations could have been preserved pursuant to the act's minutes requirements and that such minutes could similarly have been protected against premature disclosure under the provisions of the act.

The FOMC's deliberations are currently reported by means of a document entitled "Record of Policy Actions" which is released to the public approximately one month after the meeting to which it relates. The Record of Policy Actions complies with the act's minutes requirements in that it contains a full and accurate report of all matters of policy discussed and views presented, clearly sets forth all policy actions taken by the FOMC and the reasons therefore, and includes the votes by individual members on each policy action. The timing of release of the Record of Policy Actions is fully consistent with the act's provisions assuring against premature release of any item of discussion in an agency's minutes that contains information of a sensitive financial nature. In fact, by releasing

the comprehensive Record of Policy Actions to the public approximately a month after each meeting, the FOMC exceeds the publication requirements that would be mandated by the letter of the Sunshine Act.

Recognizing the congressional purpose underlying the enactment of the Sunshine Act, the FOMC has determined to continue its current practice and timing of public disclosures in the conviction that its operations thus conducted are consistent with the intent and spirit of the Sunshine Act.

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<sup>i</sup> Code of Federal Regulations, title 12, chapter II, part 281. The statement in section 281.1 was effective March 10, 1977. An amendment to 12 CFR 281 effective February 16, 2005, deleted an obsolete statement.

<sup>ii</sup> Government in the Sunshine Act, Pub. L. No. 94-409, 2, 90 Stat. 1241 (1976).

<sup>iii</sup> Government in the Sunshine Act, Pub. L. No. 94-409, 3(a), 90 Stat. 1241 (1976).

<sup>iv</sup> Government in the Sunshine Act, Pub. L. No. 94-409, 3(a), 90 Stat. 1242 (1976).

## Policy Normalization Principles and Plans

As adopted effective September 16, 2014

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During its recent meetings, the Federal Open Market Committee (FOMC) discussed ways to normalize the stance of monetary policy and the Federal Reserve's securities holdings. The discussions were part of prudent planning and do not imply that normalization will necessarily begin soon. The Committee continues to judge that many of the normalization principles that it adopted in June 2011 remain applicable. However, in light of the changes in the System Open Market Account (SOMA) portfolio since 2011 and enhancements in the tools the Committee will have available to implement policy during normalization, the Committee has concluded that some aspects of the eventual normalization process will likely differ from those specified earlier. The Committee also has agreed that it is appropriate at this time to provide additional information regarding its normalization plans. All FOMC participants but one agreed on the following key elements of the approach they intend to implement when it becomes appropriate to begin normalizing the stance of monetary policy:

- The Committee will determine the timing and pace of policy normalization—meaning steps to raise the federal funds rate and other short-term interest rates to more normal levels and to reduce the Federal Reserve's securities holdings—so as to promote its statutory mandate of maximum employment and price stability.
  - When economic conditions and the economic outlook warrant a less accommodative monetary policy, the Committee will raise its target range for the federal funds rate.
  - During normalization, the Federal Reserve intends to move the federal funds rate into the target range set by the Committee primarily by adjusting the interest

rate it pays on excess reserve balances.

- During normalization, the Federal Reserve intends to use an overnight reverse repurchase agreement facility and other supplementary tools as needed to help control the federal funds rate. The Committee will use an overnight reverse repurchase agreement facility only to the extent necessary and will phase it out when it is no longer needed to help control the federal funds rate.
- The Committee intends to reduce the Federal Reserve's securities holdings in a gradual and predictable manner primarily by ceasing to reinvest repayments of principal on securities held in the SOMA.
  - The Committee expects to cease or commence phasing out reinvestments after it begins increasing the target range for the federal funds rate; the timing will depend on how economic and financial conditions and the economic outlook evolve.
  - The Committee currently does not anticipate selling agency mortgage-backed securities as part of the normalization process, although limited sales might be warranted in the longer run to reduce or eliminate residual holdings. The timing and pace of any sales would be communicated to the public in advance.
- The Committee intends that the Federal Reserve will, in the longer run, hold no more securities than necessary to implement monetary policy efficiently and effectively, and that it will hold primarily Treasury securities, thereby minimizing the effect of Federal Reserve holdings on the allocation of credit across sectors of the economy.
- The Committee is prepared to adjust the details of its approach to policy normalization in light of economic and financial developments.

## Class III FOMC – Internal (FR)

## Program for Security of FOMC Information

As amended effective January ~~27, 2015~~ 26, 2016

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### I. INTRODUCTION.

The Program for Security of FOMC Information (“the Program”) describes what confidential FOMC information is, how it is classified, who has access to it, how it should be handled, and who is responsible for ensuring that it is protected. Everyone with access to confidential FOMC information is required to review and abide by the rules described below.

These security procedures are not intended to preclude discussions within the Federal Reserve of important FOMC-related issues, including the general reasons for the Federal Open Market Committee’s (the “Committee”) decisions. Such discussions may be conducted for research purposes or for preparing briefings and other information for Committee members, but care should be taken that all discussion participants have the appropriate level of authorization if confidential information is being shared.

### II. DEFINITION OF CONFIDENTIAL FOMC INFORMATION.

Confidential FOMC information includes all privileged information that comes into the possession of the ~~governors~~ Board members, Federal Reserve Bank presidents, or Federal Reserve System staff in the performance of their duties for, or pursuant to the direction of, the Committee. Such information covers, but is not limited to, expressions of policy views at Committee meetings, reasons for those views, votes of the Committee, and staff forecasts. The information that must be kept confidential may be in any form. It includes not only paper documents, but also electronic messages and files, recordings, notes, oral briefings, and discussions relating to confidential FOMC matters.

### III. CLASSIFICATION OF CONFIDENTIAL FOMC INFORMATION.

There are three security classifications for confidential FOMC information. The first

two classifications—“Class I FOMC – Restricted Controlled (FR)” and “Class II FOMC – Restricted (FR)” —apply to very sensitive FOMC information. Class I FOMC information must be handled at least as securely as material classified by the Federal Reserve Board as “Restricted Controlled (FR).” Access to Class II information is somewhat less restrictive than access to Class I. It must be treated at least as securely as material classified by the Federal Reserve Board as “Restricted (FR).” The classification “Class III FOMC – Internal (FR)” applies to less sensitive information that still requires confidential treatment. It must be handled at least as securely as material classified by the Federal Reserve Board as “Internal (FR).” (See Section VI below for handling requirements.)

Information in these classifications must be kept confidential until it is released to the public by the Chairman or by the Committee secretary pursuant to Committee instructions. All questions related to the classification, distribution, or handling of documents should be directed to the FOMC Secretariat.

#### A. “Class I FOMC – Restricted Controlled (FR).”

This classification is generally applied to information that includes policymaker input, e.g., information related to monetary policy decisions at meetings, nonpublic views expressed by policymakers on likely future policy, and identification of meeting participants who express particular views. Class I information includes, but is not limited to:

1. *Monetary Policy: Strategies and Alternatives* (“Tealbook, ~~Book B~~”).
2. Minutes of Committee meetings, including drafts.
3. Committee meeting recordings and transcripts.
4. Portions of Committee meeting participants’ prepared remarks that include material from Class I documents such as Tealbook, ~~Book B~~; and other monetary policy alternatives under consideration.

## Class III FOMC – Internal (FR)

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5. Submissions by, or on behalf of, policymakers in the Summary of Economic Projections process.

6. Special memoranda or reports deemed particularly sensitive, including materials that might otherwise carry a Class II designation (e.g., a report from the manager containing information on sensitive foreign exchange operations).

B. “Class II FOMC – Restricted (FR).”

This classification is generally applied to Board staff forecasts prepared for the Committee and to information about open market operations. Class II information includes, but is not limited to:

1. *Economic and Financial Conditions: Current Situation and Outlook* (“Tealbook—~~Book~~ A”), and Board staff projections or assumptions relating to interest rates.

2. Reports of the manager on domestic and foreign open market operations.

3. Information on Desk operations posted on confidential portions of the “MarketSource” website of the Federal Reserve Bank of New York.

4. Other materials on economic and financial developments (including foreign), special memoranda, tables, and charts less sensitive than those in Class I, including briefing materials containing Class II information that are produced and circulated within the Board or individual Federal Reserve Banks.

C. “Class III FOMC – Internal (FR).”

This classification is generally applied to less-sensitive background information prepared by Board staff to support policy discussions. Class III information includes, but is not limited to:

1. Tealbook Data Sheets.

2. Committee meeting agendas.

D. Security Classification Downgrading of FOMC Information.

FOMC information loses its security classification when the Committee releases it to the public. Class II information is downgraded to Class III six months after the relevant Committee meeting. Additionally,

Tealbook—~~Book~~ B; and monetary policy alternatives documents are downgraded from Class I to Class II six months after the relevant Committee meeting, and from Class II to Class III one year after the relevant meeting.

IV. ACCESS TO CONFIDENTIAL FOMC INFORMATION WITHIN THE FEDERAL RESERVE SYSTEM.

Staff access to confidential FOMC information, which includes Class I, Class II, and Class III information, requires prior authorization. Before gaining access and annually thereafter, all Federal Reserve System persons~~staff members~~, including office support staff, must receive, review, and agree to abide by the rules for handling confidential information that are referred to in this document.

At each Federal Reserve Bank, the president, or the research director on the president’s behalf, is responsible for designating those individuals-persons to be given access to each class of information. At the Federal Reserve Bank selected by the Committee to execute open market transactions (the “Selected Bank”), the manager of the System Open Market Account (“SOMA”) may also designate staff on behalf of the president. At the Board, that responsibility is assumed by the Chairman or the Committee secretary on the Chairman’s behalf~~Chairman’s designees~~ and by Board members for their assistants. Access at the Selected Bank and the Board of Governors is limited on a strict “need-to-know” basis. Access at the other Federal Reserve Banks is also limited on a strict “need-to-know” basis and is subject to the numerical limits noted below. In complying with these limits, Federal Reserve Banks may designate different individuals-persons to have access to different documents. For example, one slot could be filled by designating an international economist as having access to all special memoranda relating to foreign currency operations, and a domestic economist as having access to other Class I and Class II memoranda. At each institution, access to Class I,

## Class III FOMC – Internal (FR)

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## Program for Security of FOMC Information

Class II, and Class III information should be reviewed carefully at least once every year.

A. Access to “Class I FOMC – Restricted Controlled (FR)” materials at Federal Reserve Banks other than the Selected Bank (and the Federal Reserve Bank that serves as the backup site for ~~Open-open Market market Operationsoperations~~) is restricted to the president and first vice president and to seven other Federal Reserve Bank personnel as well as a limited number of office support staff.

B. Access to “Class II FOMC – Restricted (FR)” materials at Federal Reserve Banks other than the Selected Bank (and the Federal Reserve Bank that serves as the backup site for ~~Open-open Market-market Operationsoperations~~) is restricted to the president and first vice president and to eleven other Federal Reserve Bank personnel as well as a limited number of office support staff.

C. Access to “Class III FOMC – Internal (FR)” information is limited on a “need-to-know” basis, but no specific limit is set on the number of ~~individuals-persons~~ who may have access to such information at each location.

D. The lists of all persons, including office support staff, who are authorized to have access to Class I, Class II, or Class III information are to be generated and transmitted to the FOMC Secretariat annually, after the first regularly scheduled Committee meeting of the year (at which any changes to the Program would typically be considered). Over the course of the year, changes resulting from new staff assignments should also be transmitted. Records of individuals’ agreements to abide by the rules described in the Program should be maintained at each institution. Such records would include individuals’ signatures or electronic equivalent.

E. To facilitate the preparation of special analyses and briefings within the System, eligible staff may be granted ad-hoc access to Class I and Class II information on a

strict “need-to-know” basis for a specific and limited period of time. Such ad-hoc access may be granted by the president of a Federal Reserve Bank or a research director on his/her behalf or by the secretary for Board staff. Staff granted ad-hoc access must review and agree to abide by the rules described in the Program before receiving access. The FOMC Secretariat should be advised that such access has been given, and records of the access and related agreement should be maintained at each Federal Reserve Bank.

F. The Chairman may make ad-hoc exceptions to this section that are either more or less restrictive for particular documents being circulated or for other confidential information.

G. In order to provide secure and rapid document delivery, access to selected confidential FOMC information is given electronically through the Secure Document System (“SDS”). SDS access is restricted at each Federal Reserve Bank to the president and first vice president and up to seven other Federal Reserve Bank personnel. The Desk at the Selected Bank has access for four additional users at that Federal Reserve Bank. The president of each Federal Reserve Bank may delegate to the research director the responsibility for selecting users, monitoring compliance with SDS guidelines, and communicating with the FOMC Secretariat when changes in usage or other issues occur. Access to SDS for Board staff is authorized by ~~the secretary on behalf of the Chairmana~~ designee of the Chairman and monitored by the FOMC Secretariat.

H. Eligibility for access to confidential FOMC information for non-US citizens is, in all cases (including under IV.E), governed by 12 CFR 268.205 and by this Program. (A summary of this rule, as it pertains to FOMC information, is appended to this document as “Attachment 1.”) Eligibility is determined based on a number of factors (including, but not limited to, country of origin, immigration status, length of residency, and employment history) and in

many cases may require a background check.

I. ~~Individuals–Persons~~ who are not employees may not be given confidential FOMC information unless all the requirements of this section IV, including citizenship requirements, are met and ~~a designee of the Chairman~~~~the secretary~~ gives prior approval.

#### V. ACCESS TO CONFIDENTIAL FOMC INFORMATION OUTSIDE THE FEDERAL RESERVE SYSTEM.

Access to classified FOMC information outside the Federal Reserve System is limited as follows:

A. Confidential FOMC documents generally are made available to the public after a lag of about five years. Such availability is subject to staff review (including consultation with the Chairman or the Committee where appropriate) for the purpose of redacting any materials that are still deemed to be sensitive after five years. For example, confidential information obtained from or about particular ~~individuals–persons~~ or businesses, foreign governments and central banks, and international institutions that is deemed sensitive after the five-year lag will be protected. In addition, national security classified information that may be contained in FOMC documents remains confidential until it is declassified. The principal objectives of the Committee’s policy of withholding sensitive information after the five-year lag are to preserve the Committee’s ability to collect needed information, to allow its representatives to participate in sensitive discussions and report on them to the Committee, to avoid disclosures that would adversely affect U.S. international relations, and to comply with the applicable laws governing the disclosure of confidential information.

B. Staff officers of the Committee, and those designated by the Chairman, are authorized to transmit pertinent information on System foreign currency operations to

appropriate officials of the Treasury Department.

C. The Chairman may make ad-hoc exceptions to this section that are either more or less restrictive for particular documents or for other confidential information.

#### VI. HANDLING OF CONFIDENTIAL FOMC MATERIALS.

To assure the necessary confidentiality, it is important that special care be exercised in handling FOMC materials. The minimum requirements for handling confidential FOMC and Federal Reserve information are described in the Federal Reserve Board’s “Information Classification ~~&—and~~ Handling ~~Specifica—~~~~tions~~Guide” document (copies of summary appendices of this document, labeled “Attachment 2-A” and “Attachment 2-B,” are attached for convenience and are also available as pages ~~25–27—34–36~~ at: ([spweb.frb.gov/sites/IT/Content/Pages/FISMA/A/documents/Information%20Classification%20and%20Handling%20Standard.pdf](http://spweb.frb.gov/sites/IT/Content/Pages/FISMA/A/documents/Information%20Classification%20and%20Handling%20Standard.pdf)~~spweb.frb.gov/sites/IT/Content/Pages/FISMA/documents/Appendix—J\_Information—Classification—and\_Handling\_Standard.pdf~~). As noted in Section III above, confidential FOMC information must be treated at least as securely as information in the corresponding Federal Reserve Board category. The following requirements are highlighted here:

A. In addition to ensuring that the materials themselves are made available only to staff members who have been given access to them, the information they contain should be discussed with such persons only.

B. Persons who no longer have access to confidential FOMC information, whether because of a job change within the Federal Reserve, employment outside the Federal Reserve, or retirement, must release custody of all confidential materials in their possession and remain subject to all the prohibitions relating to the disclosure of FOMC information that is still confidential.

C. The distribution to the Committee of all documents, other than the manager’s re-



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ports, should be handled through the FOMC Secretariat.

D. In addition, to facilitate the identification of Class I and Class II FOMC information, the appropriate coversheet should be placed on all such documents that are to be circulated. (The Tealbook is distinctive in appearance and meets this requirement without an additional cover page.) The most up-to-date coversheets are available on the FOMC Secretariat's web site: ([fweb.risma.frb.gov/dma/fomc/](http://fweb.risma.frb.gov/dma/fomc/)).

## VII. ONGOING RESPONSIBILITY FOR MAINTAINING CONFIDENTIALITY.

A. The president of each Federal Reserve Bank is responsible for ensuring the confidentiality of FOMC information at that Federal Reserve Bank and for the conduct and discretion of that Federal Reserve Bank's staff with regard to the use of the information. The Chairman fulfills this role at the Board. No confidential FOMC information may be released except pursuant to Committee instructions or with written authorization from the Chairman and prompt notification to the Committee.

B. At each institution (Board or Federal Reserve Bank), the basic principles and rules of confidentiality shall be reviewed at least once a year with every individual person who has access to confidential FOMC information. In addition to annual circulation of the Program for Security of FOMC Information, institutions may implement further procedures in support of information security.

C. If any Committee participant or Federal Reserve System staff person becomes aware of an incident in which FOMC information security rules may have been breached, that individual person should promptly alert the FOMC Secretariat. The secretary and or the Committee's general counsel will perform a review of the incident, with appropriate consultation with the Chairman, and with the president of the relevant Federal Reserve Bank promptly refer all material potential breaches to the Board's inspector general and

request an investigation of the incident. The results of such reviews will be reported to the Chairman, who will inform the Committee about these matters and investigations, those results as appropriate. In light of review results, the general counsel will determine whether to request the Board's inspector general to perform an investigation of the incident.

D. If a staff person at the Federal Reserve Board has been found to be responsible for a breach of FOMC information security, the Chairman will determine the consequences for that individual person. If a staff person at a Federal Reserve Bank has been found to be responsible for a breach of FOMC information security, the president of that Federal Reserve Bank will determine the consequences for that individual person and will inform the Chairman of that determination. If a Committee participant has been found to be responsible for a breach of FOMC information security, the Committee will determine the consequences for that participant. The Inspector General will contact law enforcement agencies whenever an investigation indicates that criminal statutes may have been violated.

## VIII. COMMITTEE MEETING ATTENDANCE.

A. Except by approval of the Committee, attendance at Committee meetings, including conference calls, is limited to:

1. Governors-Board members and Federal Reserve Bank presidents and any other alternate members. In the absence of a president, a substitute Federal Reserve Bank officer designated by the president or the Federal Reserve Bank's board of directors.
2. Committee officers. In the absence of an associate economist from a Federal Reserve Bank, one substitute designated in advance by the president, with notice to the FOMC Secretariat.
3. The manager of the SOMA. In the manager's absence, a substitute designated by the manager or the president of the Se-

lected Bank, with notice to the FOMC Secretariat.

4. One adviser or one substitute designated in advance, with notice to the FOMC Secretariat, by each president who is not currently a member of the Committee.

5. One first vice president of a Federal Reserve Bank. This designee would be in addition to those listed above. The FOMC Secretariat maintains a rotational schedule based on nominations from Federal Reserve Banks.

6. One assistant to the manager (such as the deputy manager), FOMC Secretariat assistance, and a limited number of additional

members of System staff designated by the Chairman.

B. Attendance may be limited further by the Chairman if a meeting, or portion of a meeting, gives rise to unusual sensitivity problems.



## Attachment 1

## NON-CITIZEN ELIGIBILITY FOR ACCESS TO FOMC INFORMATION

*Summary of 12 C.F.R. 268.205*

Access to all FOMC information is governed under the Program for the Security of FOMC Information. Under these rules, U.S. citizens are eligible for access to all levels of FOMC information (Class I, II, and III).<sup>1</sup> As explained below, eligibility for access to FOMC information for non-citizens depends on the ~~individual's~~ ~~person's~~ job, citizenship status, residency and other requirements. The Committee applies the same requirements for access to its information that the Board applies when granting access to sensitive information of the Board.<sup>2</sup>

As a general matter, a non-citizen is eligible for access to FOMC information in only one of two ways—as a *Protected Individual* or as an *Eligible Employee*. Protected Individuals, defined below, are treated similarly to citizens, and are eligible for all levels of FOMC information. Eligible Employees, defined below, are initially eligible for access based on their country of origin, but may subsequently be eligible for a higher level of access if they meet certain criteria. Non-citizens who are neither Protected Individuals nor Eligible Employees may not be granted access to FOMC information.

<sup>1</sup> In all cases, whether an ~~individual~~ ~~person~~ is a citizen or not, access to information of the FOMC is contingent on both the eligibility discussed here and a “need to know,” which involves a determination by the FOMC Secretariat or the Committee Chairman that the ~~individual~~ ~~person~~ must be permitted access at the proposed level in order to perform his or her job. ~~Individuals~~ ~~Persons~~ who are granted access to FOMC information must abide by all rules that apply to the handling of that information.

<sup>2</sup> The Board’s rule for access to sensitive information by non-citizens is set forth in 12 C.F.R. 268.205.

1. Protected Individuals<sup>3</sup>

A “Protected Individual” is a person who is a lawful permanent resident (that is, holds a “green card”) and who has taken certain steps toward becoming a U.S. citizen. Those steps require that the person *either*:

A. Sign a declaration of intent to become a U.S. citizen and file for U.S. citizenship within six months of becoming eligible to do so,

*or*

A. Be an employee of the Federal Reserve System (FRS) since January 1, 2006;

B. File for citizenship before requesting access to FOMC information; and

C. Pass a background check acceptable to the Board.

A green card holder who does not qualify under one of these criteria is not a Protected Individual, and therefore is eligible for access only if he or she is an Eligible Employee (see below).

## 2. Eligible Employees

To be an Eligible Employee, the non-citizen must be employed in a position at the Board or Federal Reserve Bank that requires a Ph.D. in economics or finance. If the non-citizen is employed in such a position, his or her eligibility for access is granted in two stages.

A. *Initial Eligibility*: Eligibility in the initial stage depends on whether the non-

<sup>3</sup> Under the Board’s rule, the term “Protected Individual” also includes U.S. citizens and U.S. nationals (persons who are born in American Samoa, certain former citizens of the former Trust Territory of the Pacific Islands, and certain children of non-citizen nationals born abroad). The term “Protected Individuals” also covers three additional categories of ~~individuals~~ ~~persons~~ (those admitted for temporary residence under certain immigration provisions and those granted asylum or refugee status). However, requests for access by persons in these later categories are unlikely to arise and are thus not described here.

citizen’s country of origin is on the current “country list,” which is a list of countries whose citizens may be hired by appropriated federal agencies under federal legislation (see the current country list below).<sup>4</sup>

- i. If the non-citizen is from a country on the country list, he or she is eligible initially for Class II access.
- ii. If the non-citizen is not from a country on the country list, he or she is eligible initially only for Class III access.

B. *Higher Eligibility:* In the second stage of eligibility, a non-citizen can become eligible for access to information **one** level higher (i.e., a non-citizen from a country list country can become eligible for Class I access and a non-citizen who is not from a country list country can become eligible for Class II access). A non-citizen is eligible for this next level of access if he or she has:

- i. Resided in the United States for six years;
- ii. Been employed with the FRS for two years;
- iii. Been recommended for a higher level of access by his or her division director; and
- iv. Passed a background check acceptable to the Board.

COUNTRY LIST

Albania  
 Argentina  
 Australia  
 Bahamas  
 Belgium  
 Bolivia  
 Brazil  
 Bulgaria  
 Canada  
 Chile

Colombia  
 Costa Rica  
 Croatia  
 Cuba  
 Czech Republic  
 Denmark  
 Dominican Republic  
 Ecuador  
 El Salvador  
 Estonia  
 France  
 Germany  
 Greece  
 Guatemala  
 Haiti  
 Honduras  
 Hungary  
 Iceland  
 Ireland  
 Israel  
 Italy  
 Japan  
 Latvia  
 Lithuania  
 Luxembourg  
 Netherlands  
 New Zealand  
 Nicaragua  
 Norway  
 Panama  
 Paraguay  
 Peru  
 Philippines  
 Poland  
 Portugal  
 Romania  
 Slovakia  
 Slovak Republic  
 Slovenia  
 Spain  
 South Korea  
 Thailand  
 Trinidad & Tobago  
 Turkey  
 United Kingdom  
 Uruguay  
 Venezuela

<sup>4</sup> The list of eligible countries and persons is subject to legislative and other changes. The last change to the list was in 2004.



**Attachment 2-A: Summary for Handling Printed Information**

<b>PRINTED</b>	<b>Restricted-Controlled FR<sup>5</sup></b>	<b>Restricted FR<sup>6</sup></b>	<b>Board Personnel (Sensitive PII)</b>	<b>Internal FR<sup>7</sup> (including Non-Sensitive PII)</b>
<b>MP-2 Access</b>	A list of the specific FR Staff authorized to access the information must be prepared & attached to the document(s) or centrally maintained by an authorized authority	Authorized and need to know for official business purposes and limited to as few people as possible.	Share only as provided in the Board’s Policy for Handling Personally Identifiable Information policy and limited to as few people as possible	Authorized & need to know for official business purposes. PII may be shared with a FRS employee or Board contractor if authorized by the Board employee’s supervisor or the employee’s position
<b>MP-2 Duplication</b>	Not recommended. If necessary, each copy must have a unique identifier	Limited to need to know	Limited to need to know	Limited to need to know
<b>MP-3 Labeling</b>	“Restricted-Controlled FR” at the top of every page. Numbered using the “x of y” numbering or consecutively numbered w/ the final page labeled “last page”	“Restricted FR” at the top of every page. Numbered using the “x of y” numbering or consecutively numbered w/ the final page labeled “last page”	“Board Personnel” at the top of every page. All pages must be consecutively numbered	“Internal FR” at the top of the first page. All pages must be consecutively numbered
<b>MP-3 Coversheet</b>	Restricted-Controlled FR blue coversheet	Restricted FR pink coversheet	Board Personnel green coversheet	No coversheet
<b>MP-4 Storage</b>	1 of the following physical controls: locked desk drawer, file cabinet or office	1 of the following physical controls: locked desk drawer, file cabinet or office	1 of the following physical controls: locked desk drawer, file cabinet or office	Stored in a secure location
<b>MP-5 Transport: Internal</b>	Hand-delivered or placed within two sealed envelopes. The innermost envelope labeled as “Restricted-Controlled FR.”	Hand-delivered or placed within a sealed envelope	Hand-delivered or placed within a sealed envelope	No special requirements
<b>MP-5 Transport: External</b>	Two sealed envelopes and sent via Registered Mail (or equivalent service) providing delivery tracking & confirmation. Sender must maintain a list of specific items containing Restricted-Controlled FR that were shipped	Two sealed envelopes and sent via Registered Mail (or equivalent service) providing delivery tracking & confirmation.	2 sealed envelopes & sent via Registered Mail providing delivery tracking & confirmation. Sender must maintain a list of specific items containing Sensitive PII that were shipped. When tracking is not used, the transmitter must use compensating controls to the extent possible.	Placed within a sealed envelope
<b>MP-5 Transport: Fax</b>	Sent via encrypted fax machine and confirm receipt	Sent via encrypted fax machine and confirm receipt	Sent via encrypted fax machine & confirm receipt. When using non-secure fax, the transmitter must use compensating controls to the extent possible.	No special requirements
<b>MP-6 Sanitization &amp; Disposal</b>	Physically destroyed (e.g., paper shredders or approved secure document receptacles)	Physically destroyed (e.g., paper shredders or approved secure document receptacles)	Physically destroyed (e.g., paper shredders or approved secure document receptacles)	Physically destroyed (e.g., paper shredders)

<sup>5</sup> FOMC Documents are labeled *Class I FOMC- Restricted Controlled (FR)*

<sup>6</sup> FOMC Documents are labeled *Class II FOMC – Restricted (FR)*

<sup>7</sup> FOMC Documents are labeled *Class III FOMC – Internal FR*

Internal FR

**Attachment 2-B: Summary for Handling Digital Information**

DIGITAL	Restricted-Controlled FR <sup>8</sup>	Restricted FR <sup>9</sup>	Board Personnel (Sensitive PII)	Internal FR <sup>10</sup> (including Non-sensitive PII)
<b>MP-2 Access</b>	A list of the specific FR Staff authorized to access the information must be prepared & attached to the media or centrally maintained by an authorized authority.	Authorized and need to know for official business purposes and limited to as few people as possible.	Share only as provided in the Board’s Policy for Handling Personally Identifiable Information policy and limited to as few people as possible	Authorized & need to know for official business purposes. PII may be shared with a FRS employee or Board contractor if authorized by the Board employee's supervisor or the employee’s position
<b>MP-2 Duplication</b>	Not recommended. If necessary, each copy must have a unique identifier	Limited to need to know	Limited to need to know	Limited to need to know
<b>MP-3 Labeling</b>	Restricted-Controlled FR label must be provided when the information is accessed or displayed. Label Removable media “Restricted-Controlled FR”	Restricted FR label must be provided when the information is accessed or displayed. Label Removable media “Restricted FR”	Board Personnel label must be provided when the information is accessed or displayed. Label Removable media “Board Personnel”	Removable media labeled as “Internal FR”
<b>MP-4 Storage</b>	1 of the following physical controls: locked desk drawer, file cabinet or office. Store only on Board or Trusted Third Party owned media that is encrypted using an encryption module that is FIPS-140-2 certified.	1 of the following physical controls: locked desk drawer, file cabinet or office. Store only on Board or Trusted Third Party owned media that is encrypted using an encryption module that is FIPS-140-2 certified.	1 of the following physical controls: locked desk drawer, file cabinet or office. Sensitive PII stored on portable media must be encrypted. Store only on Board or Trusted Third Party owned media that is encrypted using an encryption module that is FIPS-140-2 certified.	Store in a secure location. Store only on Board or FRS owned media.
<b>MP-5 Transport: Internal</b>	Transport on Board or Trusted Third Party owned encrypted portable media that is encrypted using an encryption module that is FIPS-140-2 certified and hand-deliver or place in 2 sealed envelopes. Innermost envelope labeled Restricted-Controlled FR	Transport on Board or Trusted Third Party owned encrypted portable media that is encrypted using an encryption module that is FIPS-140-2 certified and hand-deliver or place in a sealed envelope	Transport on Board or Third Party owned encrypted portable media that is encrypted using an encryption module that is FIPS-140-2 certified and hand-deliver or place in a sealed envelope	Transport only on Board or FRS owned media

<sup>8</sup> FOMC Digital Information, including E-mail is labeled *Class I FOMC - Restricted Controlled (FR)*

<sup>9</sup> FOMC Digital Information, including E-mail is labeled *Class II FOMC – Restricted (FR)*

<sup>10</sup> FOMC Digital Information, including E-mail is labeled *Class III FOMC – Internal FR*



Internal FR

DIGITAL	Restricted-Controlled FR <sup>8</sup>	Restricted FR <sup>9</sup>	Board Personnel (Sensitive PII)	Internal FR <sup>10</sup> (including Non-sensitive PII)
<p><b>MP-5</b> <b>Transport:</b> <b>External</b></p>	<p>Transport on Board or Trusted Third Party owned encrypted removable media that is encrypted using an encryption module that is FIPS-140-2 certified in 2 sealed envelopes and sent via Registered Mail providing delivery tracking &amp; confirmation. Sender must maintain a list of specific items containing Restricted-Controlled FR that were shipped</p>	<p>Transport on Board or Trusted Third Party owned encrypted removable media that is encrypted using an encryption module that is FIPS-140-2 certified in 2 sealed envelopes and sent via Registered Mail (or equivalent service) providing delivery tracking &amp; confirmation.</p>	<p>Transport on Board or FRS owned encrypted removable media that is encrypted using an encryption module that is FIPS-140-2 certified in 2 sealed envelopes and sent via Registered Mail providing delivery tracking &amp; confirmation. Sender must maintain a list of specific items that were shipped. When tracking is not used, the transmitter must use compensating controls to the extent possible.</p>	<p>Placed within a sealed envelope. Transport only on Board or FRS owned media.</p>
<p><b>MP-5</b> <b>Transport:</b> <b>Email</b></p>	<p>Internal Recipients: Use “FRS Only” category (Reserve Bank users sending Class I FOMC information use the FOMC Classification)  External Recipients: Encrypt using Board approved encryption technologies. Use “Secure External” category. Class I FOMC must not be sent outside the FRS.</p>	<p>Internal Recipients: Use “FRS Only” category. (Reserve Bank users sending Class II FOMC information use the FOMC Classification)  External Recipients: Encrypt using Board approved encryption technologies Use “Secure External” category. Class II FOMC must not be sent outside the FRS.</p>	<p>Internal Recipients: Use “FRS Only” category  External Recipients: Encrypt using Board approved encryption technologies unless the person the information concerns specifically authorizes the unencrypted email communication. Using unencrypted e-mail requires the transmitter to use compensating controls. Use “Secure External” category</p>	<p>Internal Recipients: Use “FRS Only” category  External: Use “Unsecured External” category</p>
<p><b>MP-6</b> <b>Sanitization &amp; Disposal</b></p>	<p>Follow the Media Sanitation and Disposal Policy &amp; Procedures</p>	<p>Follow the Media Sanitation and Disposal Policy &amp; Procedures</p>	<p>Follow the Media Sanitation and Disposal Policy &amp; Procedures</p>	<p>Follow the Media Sanitation and Disposal Policy &amp; Procedures</p>

## Authorization for Domestic Open Market Operations

As amended effective January ~~27, 2015~~26, 2016

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1. The Federal Open Market Committee (the “Committee”) authorizes and directs the Federal Reserve Bank selected by the Committee to execute open market transactions (the “Selected Bank”), to the extent necessary to carry out the most recent domestic policy directive adopted by the Committee:

A. To buy or sell in the open market securities that are direct obligations of, or fully guaranteed as to principal and interest by, the United States, and securities that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States, that are eligible for purchase or sale under Section 14(b) of the Federal Reserve Act (“Eligible Securities”) for the System Open Market Account (“SOMA”):

i. As an outright operation with securities dealers and foreign and international accounts maintained at the Selected Bank: on a same-day or deferred delivery basis (including such transactions as are commonly referred to as dollar rolls and coupon swaps) at market prices; or

ii. As a temporary operation: on a same-day or deferred delivery basis, to purchase such Eligible Securities subject to an agreement to resell (“repo transactions”) or to sell such Eligible Securities subject to an agreement to repurchase (“reverse repo transactions”) for a term of 65 business days or less, at rates that, unless otherwise authorized by the Committee, are determined by competitive bidding, after applying reasonable limitations on the volume of agreements with individual counterparties;

B. To allow Eligible Securities in the SOMA to mature without replacement;

C. To exchange, at market prices, in connection with a Treasury auction, maturing Eligible Securities in the SOMA with the Treasury, in the case of Eligible Securities that are direct obligations of the United States or that are fully guaranteed as to principal and interest by the United States; and

D. To exchange, at market prices, maturing Eligible Securities in the SOMA with an

agency of the United States, in the case of Eligible Securities that are direct obligations of that agency or that are fully guaranteed as to principal and interest by that agency.

2. The Committee authorizes the Selected Bank to undertake transactions of the type described in paragraph 1 from time to time for the purpose of testing operational readiness, subject to the following limitations:

A. All transactions authorized in this paragraph 2 shall be conducted with prior notice to the Committee;

B. The aggregate par value of the transactions authorized in this paragraph 2 that are of the type described in paragraph 1.A.i shall not exceed \$5 billion per calendar year; and

C. The outstanding amount of the transactions described in paragraph 1.A.ii shall not exceed \$5 billion at any given time.

3. In order to ensure the effective conduct of open market operations, the Committee authorizes the Selected Bank to operate a program to lend Eligible Securities held in the SOMA to dealers on an overnight basis (except that the Selected Bank may lend Eligible Securities for longer than an overnight term to accommodate weekend, holiday, and similar trading conventions).

A. Such securities lending must be:

i. At rates determined by competitive bidding;

ii. At a minimum lending fee consistent with the objectives of the program;

iii. Subject to reasonable limitations on the total amount of a specific issue of Eligible Securities that may be auctioned; and

iv. Subject to reasonable limitations on the amount of Eligible Securities that each borrower may borrow.

B. The Selected Bank may:

i. Reject bids that, as determined in its sole discretion, could facilitate a bidder’s ability to control a single issue;

ii. Accept Treasury securities or cash as collateral for any loan of securities authorized in this paragraph 3; and

iii. Accept agency securities as collat-

eral only for a loan of agency securities authorized in this paragraph 3.

4. In order to ensure the effective conduct of open market operations, while assisting in the provision of short-term investments or other authorized services for foreign central bank and international accounts maintained at a Federal Reserve Bank (the “Foreign Accounts”) and accounts maintained at a Federal Reserve Bank as fiscal agent of the United States pursuant to section 15 of the Federal Reserve Act (together with the Foreign Accounts, the “Customer Accounts”), the Committee authorizes the following when undertaken on terms comparable to those available in the open market:

A. The Selected Bank, for the SOMA, to undertake reverse repo transactions in Eligible Securities held in the SOMA with the Customer Accounts for a term of 65 business days or less; and

B. Any Federal Reserve Bank that maintains Customer Accounts, for any such Customer Account, when appropriate and subject to all other necessary authorization and approvals, to:

- i. Undertake repo transactions in Eligible Securities with dealers with a corresponding reverse repo transaction in such Eligible Securities with the Customer Accounts; and
- ii. Undertake intra-day ~~reverse~~ repo transactions in Eligible Securities with Foreign Accounts.

Transactions undertaken with Customer Accounts under the provisions of this paragraph 4 may provide for a service fee

when appropriate. Transactions undertaken with Customer Accounts are also subject to the authorization or approval of other entities, including the Board of Governors of the Federal Reserve System and, when involving accounts maintained at a Federal Reserve Bank as fiscal agent of the United States, the United States Department of the Treasury.

5. The Committee authorizes the Chairman of the Committee, in fostering the Committee’s objectives during any period between meetings of the Committee, to instruct the Selected Bank to act on behalf of the Committee to:

A. Adjust somewhat in exceptional circumstances the stance of monetary policy and to take actions that may result in material changes in the composition and size of the assets in the SOMA; or

B. Undertake transactions with respect to Eligible Securities in order to appropriately address temporary disruptions of an operational or highly unusual nature in U.S. dollar funding markets.

Any such adjustment described in subparagraph A of this paragraph 5 shall be made in the context of the Committee’s discussion and decision about the stance of policy at its most recent meeting and the Committee’s long-run objectives to foster maximum employment and price stability, and shall be based on economic, financial, and monetary developments since the most recent meeting of the Committee. The Chairman, whenever feasible, will consult with the Committee before making any instruction under this paragraph 5.



## Authorization for Foreign Currency Operations

As amended effective January 27, 2015

1. The Federal Open Market Committee (the “Committee”) authorizes and directs the Federal Reserve Bank selected by the Committee to execute open market transactions (the “Selected Bank”), for the System Open Market Account, to the extent necessary to carry out the Committee’s foreign currency directive and express authorizations by the Committee pursuant thereto, and in conformity with such procedural instructions as the Committee may issue from time to time:

A. To purchase and sell the following foreign currencies in the form of cable transfers through spot or forward transactions on the open market at home and abroad, including transactions with the U.S. Treasury, with the U.S. Exchange Stabilization Fund established by section 10 of the Gold Reserve Act of 1934, with foreign monetary authorities, with the Bank for International Settlements, and with other international financial institutions:

- Australian dollars
- Brazilian reais
- Canadian dollars
- Danish kroner
- euro
- Japanese yen
- Korean won
- Mexican pesos
- New Zealand dollars
- Norwegian kroner
- Pounds sterling
- Singapore dollars
- Swedish kronor
- Swiss francs

B. To hold balances of, and to have outstanding forward contracts to receive or to deliver, the foreign currencies listed in paragraph A above.

C. To draw foreign currencies and to permit foreign banks to draw dollars under the arrangements listed in paragraph 2 below, in accordance with the Procedural Instructions with Respect to Foreign Currency Operations.

D. To maintain an overall open position

in all foreign currencies not exceeding \$25.0 billion. For this purpose, the overall open position in all foreign currencies is defined as the sum (disregarding signs) of net positions in individual currencies, excluding changes in dollar value due to foreign exchange rate movements and interest accruals. The net position in a single foreign currency is defined as holdings of balances in that currency, plus outstanding contracts for future receipt, minus outstanding contracts for future delivery of that currency, i.e., as the sum of these elements with due regard to sign.

2. The Committee directs the Selected Bank to maintain for the System Open Market Account (subject to the requirements of section 214.5 of Regulation N, Relations with Foreign Banks and Bankers):

A. Reciprocal currency arrangements with the following foreign banks:

Foreign bank	Amount of arrangement (millions of dollars equivalent)
Bank of Canada	2,000
Bank of Mexico	3,000

B. Standing dollar liquidity swap arrangements with the following foreign banks:

- Bank of Canada
- Bank of England
- Bank of Japan
- European Central Bank
- Swiss National Bank

C. Standing foreign currency liquidity swap arrangements with the following foreign banks:

- Bank of Canada
- Bank of England
- Bank of Japan
- European Central Bank
- Swiss National Bank

Dollar and foreign currency liquidity swap



## Class III FOMC – Internal (FR)

§ 2

Authorization for Foreign Currency Operations

arrangements have no pre-set size limits. Any new swap arrangements shall be referred for review and approval to the Committee. All swap arrangements are subject to annual review and approval by the Committee.

3. All transactions in foreign currencies undertaken under paragraph 1.A above shall, unless otherwise expressly authorized by the Committee, be at prevailing market rates. For the purpose of providing an investment return on System holdings of foreign currencies or for the purpose of adjusting interest rates paid or received in connection with swap drawings, transactions with foreign central banks may be undertaken at non-market exchange rates.

4. It shall be the normal practice to arrange with foreign central banks for the coordination of foreign currency transactions. In making operating arrangements with foreign central banks on System holdings of foreign currencies, the Selected Bank shall not commit itself to maintain any specific balance, unless authorized by the Committee. Any agreements or understandings concerning the administration of the accounts maintained by the Selected Bank with the foreign banks designated by the Board of Governors under section 214.5 of Regulation N shall be referred for review and approval to the Committee.

5. Foreign currency holdings shall be invested to ensure that adequate liquidity is maintained to meet anticipated needs and so that each currency portfolio shall generally have an average duration of no more than 24 months (calculated as Macaulay duration). Such investments may include buying or selling outright obligations of, or fully guaranteed as to principal and interest by, a foreign government or agency thereof; buying such securities under agreements for repurchase of such securities; selling such securities under agreements for the resale of such securities; and holding various time and other deposit accounts at foreign institutions. In addition, when appropriate in connection with arrangements to provide investment facilities for foreign currency holdings, U.S. government securities may be purchased from foreign central banks under agreements for repurchase of

such securities within 30 calendar days.

6. All operations undertaken pursuant to the preceding paragraphs shall be reported promptly to the Foreign Currency Subcommittee (the “Subcommittee”) and the Committee. The Subcommittee consists of the Chairman and Vice Chairman of the Committee, the Vice Chairman of the Board of Governors, and such other member of the Board as the Chairman may designate (or in the absence of members of the Board serving on the Subcommittee, other Board members designated by the Chairman as alternates, and in the absence of the Vice Chairman of the Committee, the Vice Chairman’s alternate). Meetings of the Subcommittee shall be called at the request of any member, or at the request of the manager, System Open Market Account (“manager”), for the purposes of reviewing recent or contemplated operations and of consulting with the manager on other matters relating to the manager’s responsibilities. At the request of any member of the Subcommittee, questions arising from such reviews and consultations shall be referred for determination to the Committee.

7. The Chairman is authorized:

A. With the approval of the Committee, to enter into any needed agreement or understanding with the Secretary of the Treasury about the division of responsibility for foreign currency operations between the System and the Treasury;

B. To keep the Secretary of the Treasury fully advised concerning System foreign currency operations, and to consult with the Secretary on policy matters relating to foreign currency operations;

C. From time to time, to transmit appropriate reports and information to the National Advisory Council on International Monetary and Financial Policies.

8. All Federal Reserve Banks shall participate in the foreign currency operations for System Account in accordance with paragraph 3G(1) of the Board of Governors’ Statement of Procedure with Respect to Foreign Relationships of Federal Reserve Banks dated January 1, 1944.

9. The Committee authorizes the Selected Bank to undertake transactions of the type described in paragraphs 1, 2, and 5, and foreign exchange and investment transactions that it may be otherwise authorized to undertake from time to time for the purpose of

testing operational readiness. The aggregate amount of such transactions shall not exceed \$2.5 billion per calendar year. These transactions shall be conducted with prior notice to the Committee.

## Foreign Currency Directive

As reaffirmed effective January 27, 2015

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1. System operations in foreign currencies shall generally be directed at countering disorderly market conditions, provided that market exchange rates for the U.S. dollar reflect actions and behavior consistent with IMF Article IV, Section 1.
2. To achieve this end the System shall:
  - A. Undertake spot and forward purchases and sales of foreign exchange.
  - B. Maintain reciprocal currency arrangements with foreign central banks in accordance with the Authorization for Foreign Currency Operations.
  - C. Maintain standing dollar liquidity swap arrangements with foreign banks in accordance with the Authorization for Foreign Currency Operations.
  - D. Maintain standing foreign currency liquidity swap arrangements with foreign banks in accordance with the Authorization for Foreign Currency Operations.
  - E. Cooperate in other respects with central banks of other countries and with international monetary institutions.
3. Transactions may also be undertaken:
  - A. To adjust System balances in light of probable future needs for currencies.
  - B. To provide means for meeting System and Treasury commitments in particular currencies, and to facilitate operations of the Exchange Stabilization Fund.
  - C. For such other purposes as may be expressly authorized by the Committee.
4. System foreign currency operations shall be conducted:
  - A. In close and continuous consultation and cooperation with the United States Treasury;
  - B. In cooperation, as appropriate, with foreign monetary authorities; and
  - C. In a manner consistent with the obligations of the United States in the International Monetary Fund regarding exchange arrangements under IMF Article IV.

## Procedural Instructions with Respect to Foreign Currency Operations

As amended effective January 27, 2015

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In conducting operations pursuant to the authorization and direction of the Federal Open Market Committee (the “Committee”) as set forth in the Authorization for Foreign Currency Operations and the Foreign Currency Directive, the Federal Reserve Bank selected by the Committee to execute open market transactions (the “Selected Bank”), through the manager, System Open Market Account (“manager”), shall be guided by the following procedural understandings with respect to consultations and clearances with the Committee, the Foreign Currency Subcommittee (the “Subcommittee”), and the Chairman of the Committee, unless otherwise directed by the Committee. All operations undertaken pursuant to such clearances shall be reported promptly to the Committee.

1. For the reciprocal currency arrangements authorized in paragraphs 2.A of the Authorization for Foreign Currency Operations:

A. Drawings must be approved by the Subcommittee (or by the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available) if the swap drawing proposed by a foreign bank does not exceed the larger of (i) \$200 million or (ii) 15 percent of the size of the swap arrangement.

B. Drawings must be approved by the Committee (or by the Subcommittee, if the Subcommittee believes that consultation with the full Committee is not feasible in the time available, or by the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available) if the swap drawing proposed by a foreign bank exceeds the larger of (i) \$200 million or (ii) 15 percent of the size of the swap arrangement.

C. The manager shall also consult with the Subcommittee or the Chairman about proposed swap drawings by the System.

D. Any changes in the terms of existing swap arrangements shall be referred for review and approval to the Chairman.

The Chairman shall keep the Committee informed of any changes in terms, and the terms shall be consistent with principles discussed with and guidance provided by the Committee.

2. For the dollar and foreign currency liquidity swap arrangements authorized in paragraphs 2.B and 2.C of the Authorization for Foreign Currency Operations:

A. Drawings must be approved by the Chairman in consultation with the Subcommittee. The Chairman or the Subcommittee will consult with the Committee prior to the initial drawing on the dollar or foreign currency liquidity swap lines if possible under the circumstances then prevailing; authority to approve subsequent drawings for either the dollar or foreign currency liquidity swap lines may be delegated to the manager by the Chairman.

B. Any changes in the terms of existing swap arrangements shall be referred for review and approval to the Chairman. The Chairman shall keep the Committee informed of any changes in terms, and the terms shall be consistent with principles discussed with and guidance provided by the Committee.

3. Any operation must be approved by:

A. The Subcommittee (or by the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available) if it:

i. Would result in a change in the System’s overall open position in foreign currencies exceeding \$300 million on any day or \$600 million since the most recent regular meeting of the Committee.

ii. Would result in a change on any day in the System’s net position in a single foreign currency exceeding \$150 million, or \$300 million when the operation is associated with repayment of swap drawings.

iii. Might generate a substantial volume of trading in a particular currency by the System, even though the change

in the System's net position in that currency (as defined in paragraph 1.D of the Authorization for Foreign Currency Operations) might be less than the limits specified in 3.A.ii.

B. The Committee (or by the Subcommittee, if the Subcommittee believes that consultation with the full Committee is not feasible in the time available, or by the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available) if it would result in a change in the System's overall open position in foreign currencies exceeding \$1.5 billion since the most recent regu-

lar meeting of the Committee.

4. The Committee authorizes the Selected Bank to undertake transactions of the type described in paragraphs 1, 2, and 5 of the Authorization for Foreign Currency Operations and foreign exchange and investment transactions that it may be otherwise authorized to undertake from time to time for the purpose of testing operational readiness. The aggregate amount of such transactions shall not exceed \$2.5 billion per calendar year. These transactions shall be conducted with prior notice to the Committee.

**Appendix 2: Materials used by Mr. Potter and Ms. Logan**

**Class II FOMC – Restricted (FR)**

*Material for Briefing on*

**Financial Developments and  
Open Market Operations**

**Simon Potter and Lorie Logan**

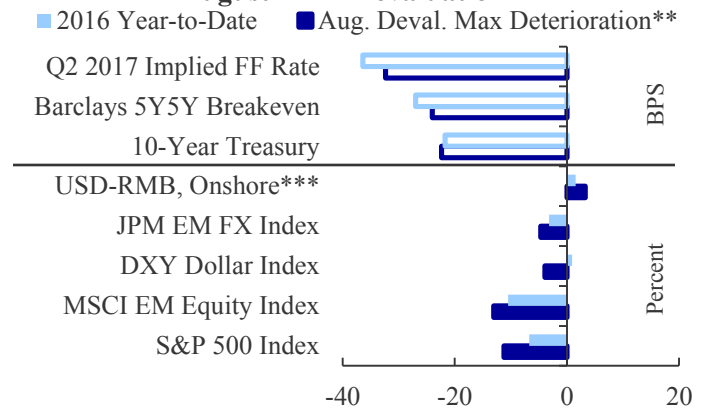
January 26, 2016

**(1) Asset Price Changes**

	Current Level	From December FOMC	2016 Year-to-Date
<i>Changes in Percent</i>			
S&P 500 Index	1906.9	-7	-7
KBW Bank Index	62.0	-17	-15
EuroStoxx 50 Index	3023.0	-7	-7
Shanghai Composite Index	2916.6	-17	-18
EM Equity Index	710.7	-10	-11
<i>Changes in Basis Points</i>			
U.S. HY Corp. Credit OAS	750 bps	+83	+90
HY Ex. Energy OAS	660 bps	+61	+77
HY Euro Area OAS	575 bps	+103	+89

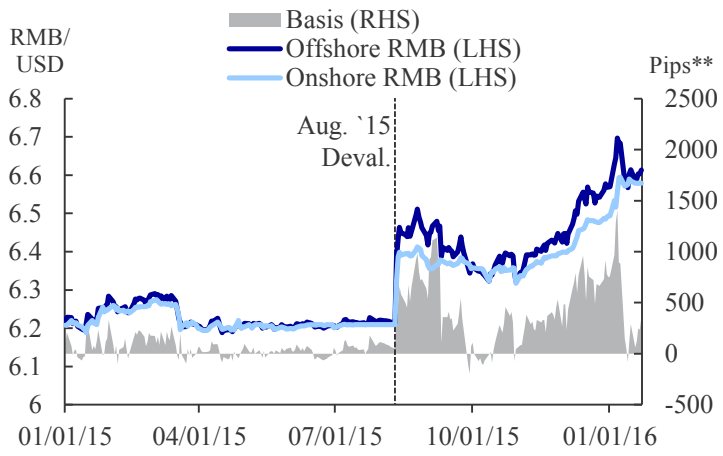
Source: Barclays, Bloomberg

**(2) Price Changes Year-to-Date vs. August RMB Devaluation\***



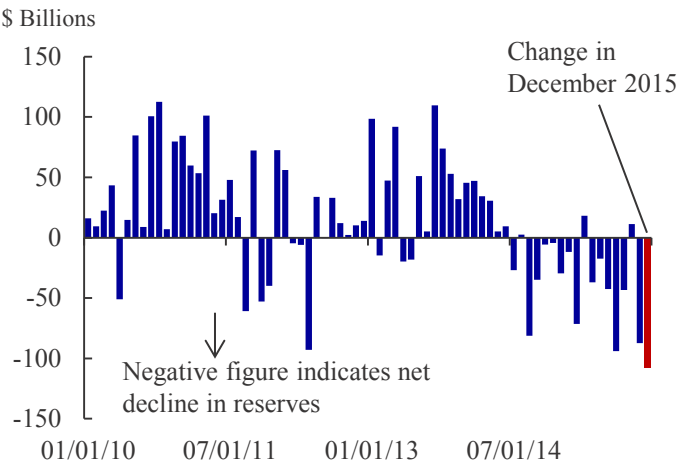
\*Shaded bars show percent changes, outlined bars show basis point changes.  
 \*\*Shows maximum price deterioration from 08/10/15 to 09/16/15.  
 \*\*\*Shows maximum deterioration year-to-date.  
 Source: Bloomberg, FRBNY Desk Calculations

**(3) Onshore and Offshore Renminbi\***



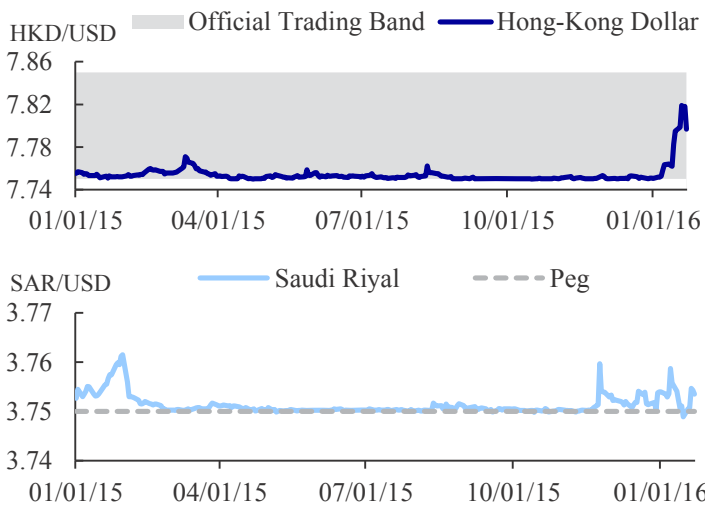
\*Basis is calculated as the offshore RMB less the onshore RMB.  
 \*\*In this case, a pip is 1/100th of a RMB cent.  
 Source: Bloomberg

**(4) Monthly Change in China Foreign Exchange Reserves**



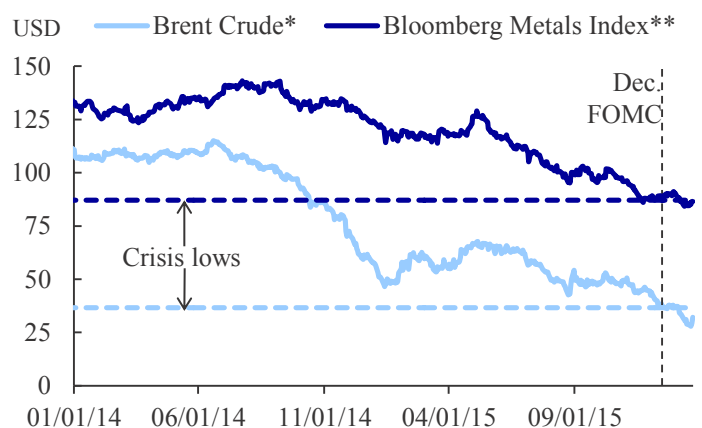
Source: Bloomberg

**(5) Hong-Kong and Saudi Arabia Currencies**



Source: Bloomberg

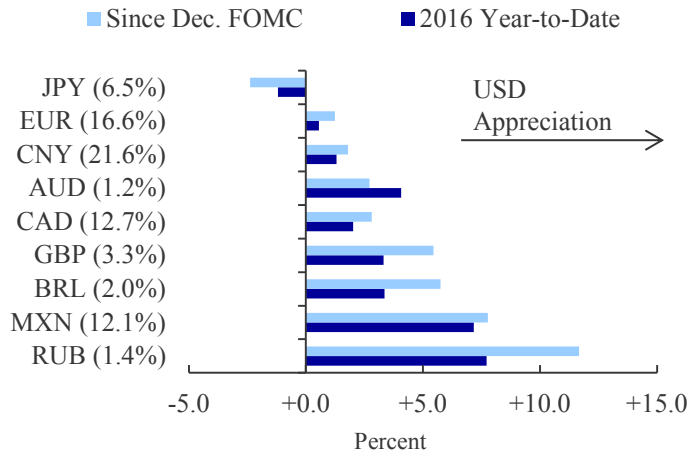
**(6) Commodity Prices**



\*Price per barrel.  
 \*\*Composed of futures contracts on aluminum, copper, nickel, and zinc.  
 Source: Bloomberg

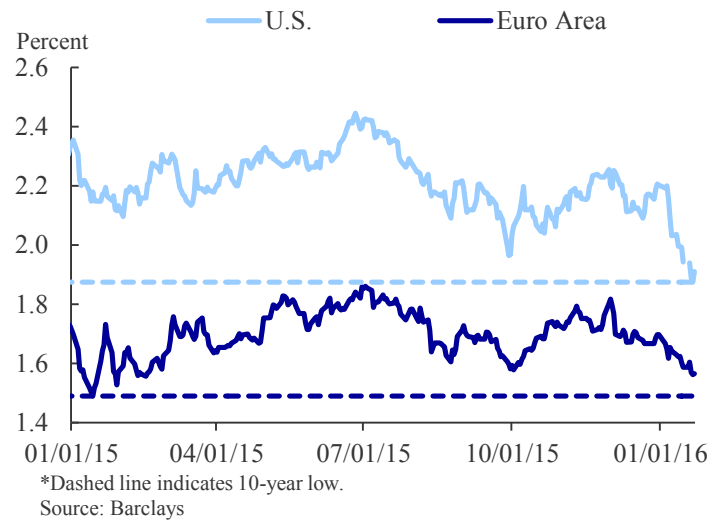


**(7) Currency Performance\***



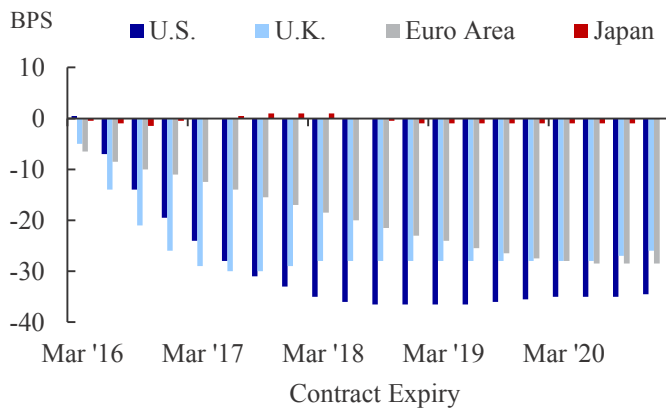
\*Percent weight in the Federal Reserve Board's Trade-Weighted Dollar Index is in parenthesis.  
Source: Bloomberg, Federal Reserve Board

**(8) Five-Year, Five-Year Inflation Swap Rates\***



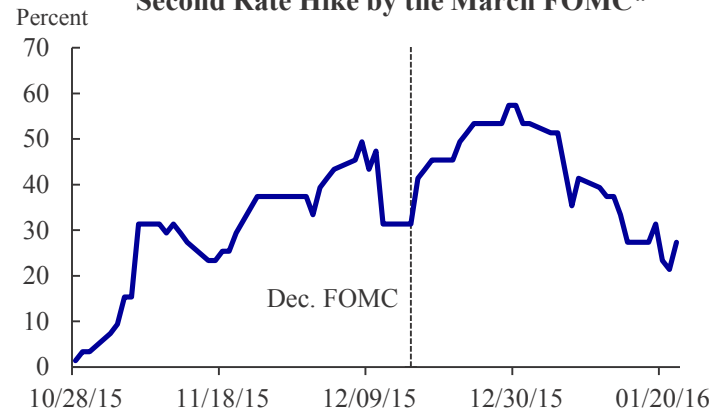
\*Dashed line indicates 10-year low.  
Source: Barclays

**(9) Intermeeting Changes in Money Market Futures Rates\***



\*Changes in Tibor, Short Sterling, Euribor, and Eurodollar futures-implied rates for the Japan, U.K., Euro Area, and U.S., respectively.  
Source: Bloomberg

**(10) Cumulative Market-Implied Probability of a Second Rate Hike by the March FOMC\***



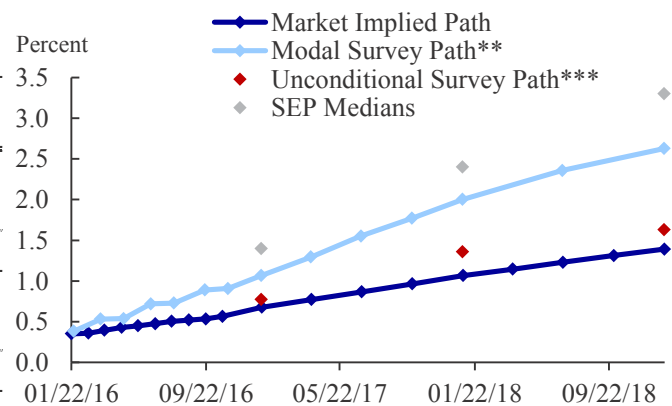
\*Assumes the EFR will trade at the average level since liftoff until the second rate hike, excluding month-ends. Probabilities are calculated from the April 2016 fed funds futures contract.  
Source: Bloomberg, Federal Reserve Bank of New York

**(11) Conditional Probability Matrix for End-2016 Rate\***

Next Policy Rate Action	Average Condition Probability	Relative Timing to March		Average End 2016
		Condition	Average Probability	Expected Rate
Increase in 2016	72%	Before	2%	98 bps
		At	47%	
		After	51%	
Decrease in 2016	9%	Before	2%	19 bps
		At	12%	
		After	86%	
No Change in 2016	19%			36 bps

\*Based on all responses from the January Survey of Primary Dealers and Survey of Market Participants.  
Source: Federal Reserve Bank of New York

**(12) Expected and Implied Federal Funds Rate Paths\***

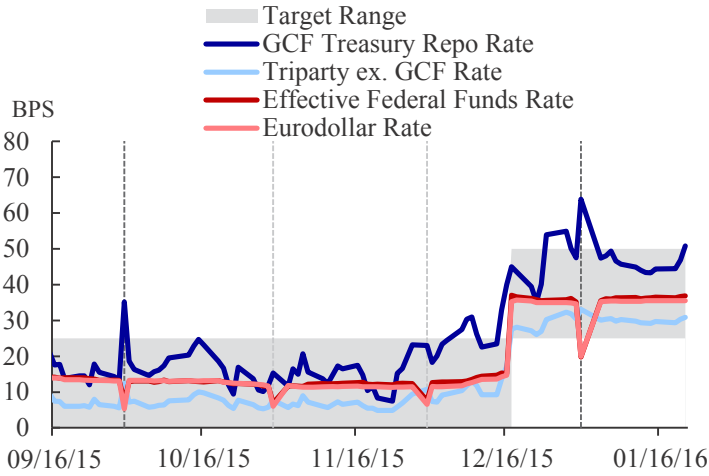


\*Based on all responses from the January Survey of Primary Dealers and Survey of Market Participants.  
\*\*Average of survey respondents modal path.  
\*\*\*Average of survey respondents probability-weighted target fed funds rate.  
Source: Federal Reserve Bank of New York, Federal Reserve Board

Class II FOMC – Restricted (FR)

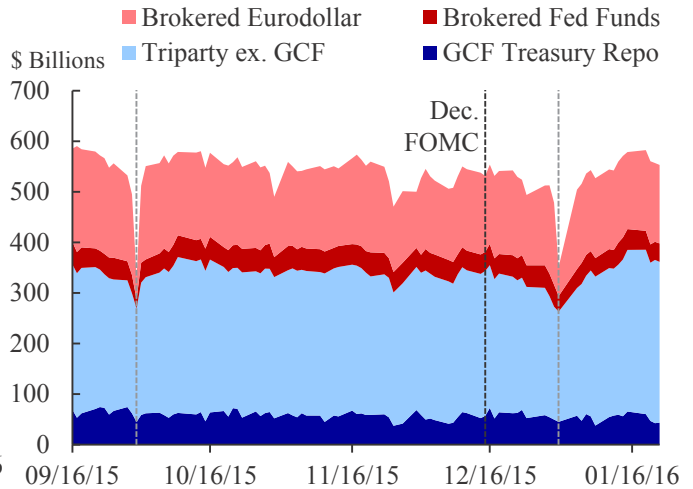
Exhibit 3

**(13) Overnight Interest Rates\***



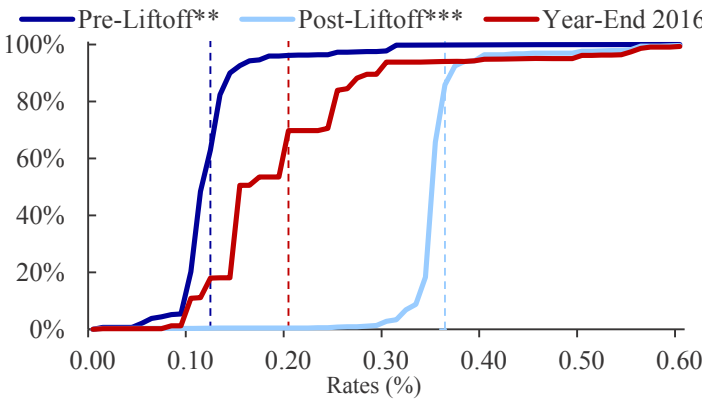
\*Dark trip wires indicate quarter-ends, light trip wires indicate month-ends.  
Source: Bloomberg, Federal Reserve Bank of New York

**(14) Overnight Money Market Volumes\***



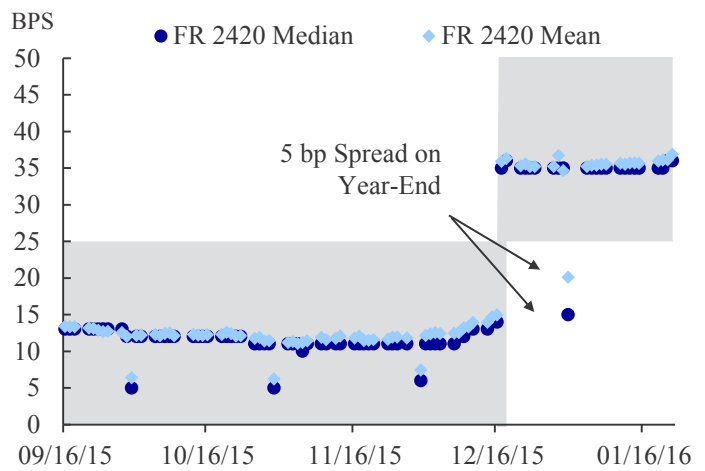
\*Grey dashed lines indicates quarter-ends.  
Source: Bloomberg, Federal Reserve Bank of New York

**(15) Cumulative Distribution of FR 2420 Federal Funds Volume by Rate\***



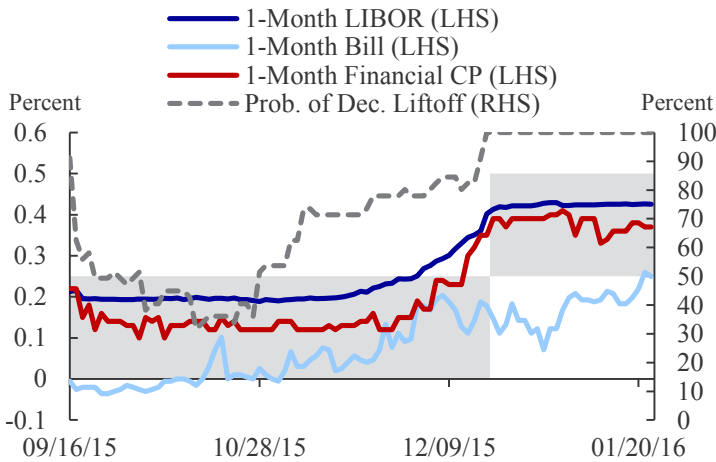
\*Dashed lines indicate average over the corresponding periods.  
\*\*Includes data from 11/13/15 through 12/16/15.  
\*\*\*Includes data from 12/17/15 through 01/22/16, excluding 12/31/15.  
Source: Federal Reserve Bank of New York, FR 2420

**(16) FR 2420 Volume-Weighted Median vs. Volume-Weighted Mean**



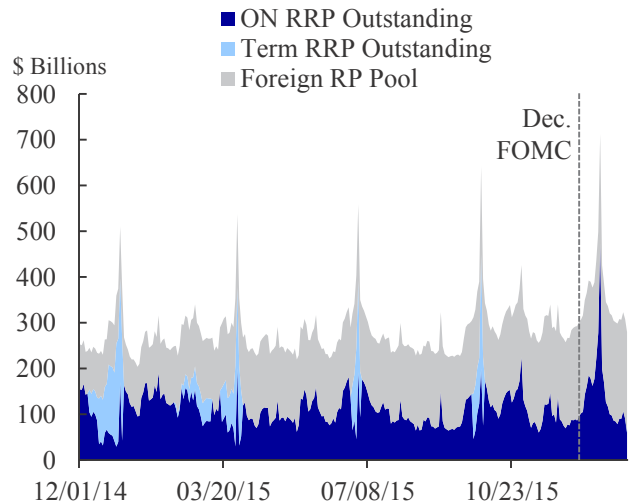
Source: Federal Reserve Bank of New York, FR 2420

**(17) Term Money Market Rates and Probability of December Liftoff**



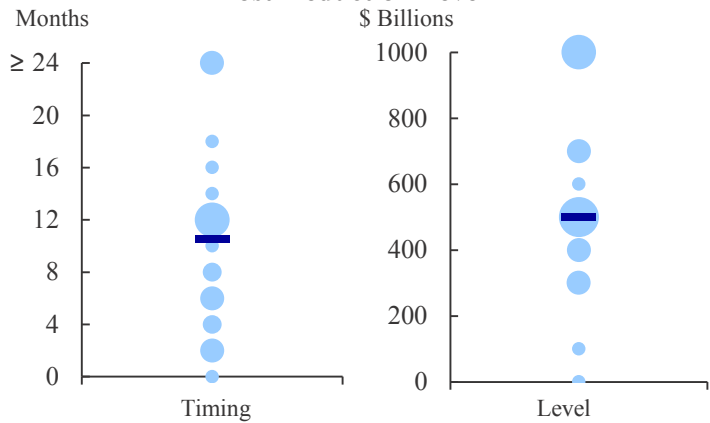
Source: Bloomberg, FRBNY Desk Calculations

**(18) RRP's Outstanding and Foreign Repo Pool**



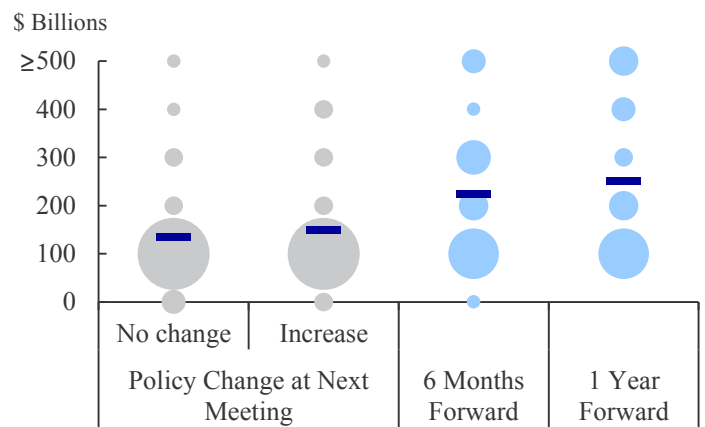
Source: Federal Reserve Bank of New York

**(19) Timing of Reduction to ON RRP Cap and Post-Reduction Level**



\*Dots scaled by percent of respondents from the January Surveys of Primary Dealers and Market Participants. Dark blue dash reflects the survey median. Source: Federal Reserve Bank of New York

**(20) ON RRP Expected Demand\***

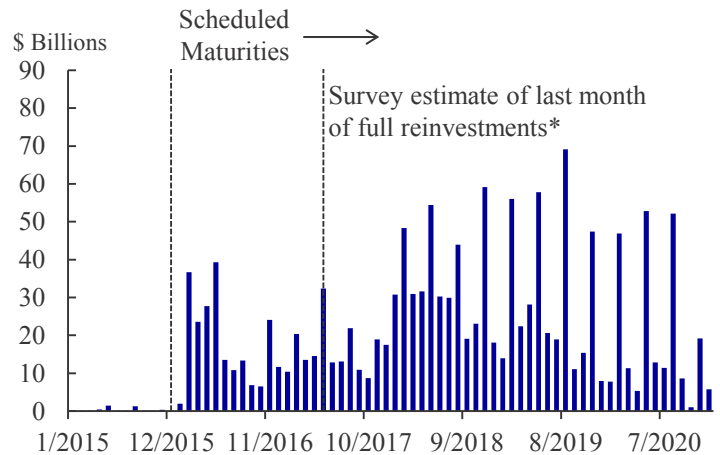


\*Based on all responses from the January Survey of Primary Dealers and Survey of Market Participants. Dark blue dash reflects the survey median. Source: Federal Reserve Bank of New York

**(21) Post-Liftoff Assessment**

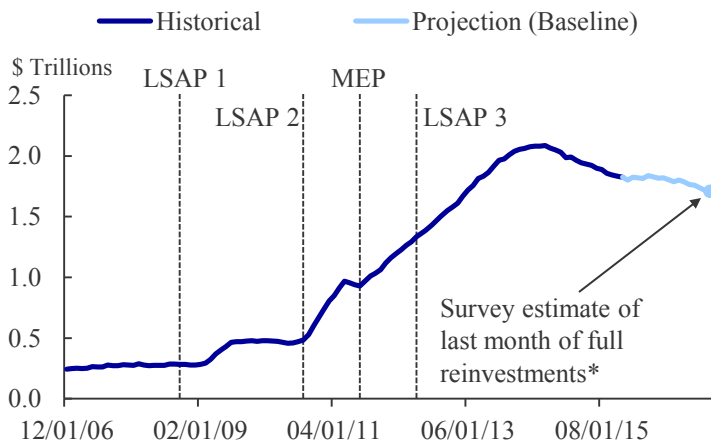
- Assess operating framework to be working well
  - Effective in establishing floor on EFFR and other overnight money market rates
  - Limited shift in footprint from increased ON RRP take-up or change in market volumes
  - No sign of flight-to-safety behavior in ON RRP
- Market participants expect continued effectiveness of framework
  - Generally expect one-for-one pass-through of next rate increase

**(22) Receipts of Principal on Treasury Securities**



\*Based on all responses from the January Survey of Primary Dealers and Survey of Market Participants. Source: Federal Reserve Bank of New York

**(23) SOMA Treasury Portfolio in 10-Year Equivalents**



\*Based on all responses from the January Survey of Primary Dealers and Survey of Market Participants. Source: Federal Reserve Bank of New York

**(24) Upcoming Operational Tests**

- One Treasury Outright Purchase under the Domestic Authorization
  - Scheduled for Feb. 23 for about \$220 million
- Two tests under the Foreign Authorization
  - Euro-denominated overnight repo
    - Scheduled for Feb. 2 for about €1 million
  - Liquidity swap with Bank of Canada
    - Scheduled for Feb. 9 for about \$50 thousand
- One seven-day Term Deposit Facility (TDF) test at a 1 basis point spread to IOER
  - Planned for Q1 at a maximum tender of \$5 billion per counterparty

**Appendix 3: Materials used by Ms. Weinbach**

**Class I FOMC – Restricted Controlled (FR)**

*Material for Briefing on*

**Reducing Aggregate Capacity of the ON RRP  
Facility**

**Gretchen Weinbach**  
January 26, 2016

## Exhibit 1

Two key takeaways relevant for calibrating capacity of ON RRP facility

1. Market confidence in sufficient headroom over time is important for rate control
  - We don't know how large headroom needs to be
  - Having very elevated capacity at liftoff may have contributed to its success
  - Capacity likely can be lower than \$2 trillion
  - May need more headroom now than the \$150 billion that typically prevailed during testing phase
2. Demand for ON RRPs could trend up over time...
  - With changes in financial regulations (money funds, banks)
  - With rise in general level of interest rates (ZLB effects; international capital flows)
  - Overall, future demand is uncertain

## Exhibit 2

### Three illustrative options for reducing aggregate capacity of ON RRP facility

	Option Features	Option 1 <b>High Cap</b>	Option 2 <b>Low Flexible Cap</b>	Option 3 <b>Low Hard Cap</b>
<b>Level</b>	<b>Approximate level of ON RRP cap</b>	\$800 billion to \$1 trillion	\$300 to \$500 billion	\$400 to \$600 billion
<b>Adjustments for trend demand</b>	<b>Willing to increase that cap level over time?</b>	Limited need	Yes: Adjust capacity as needed to maintain headroom for interest rate control; headroom is primary lever	No
	<b>If ON RRP demand grows significantly, what happens?</b>	Likely won't need to do anything; could raise cap or offer term	Communicate willing to raise cap and under what circumstances; could also offer term	Communicate unwilling to raise cap; instead offer term

### High-level policy tradeoffs

- May prefer a high cap (option 1) if you:
  - Want to limit need to increase cap over time
  - See high cap as important for rate control
  - Are not very concerned about surge risk in near term, or potential footprint
  - Or see it as prudent first step in reducing cap over time
- May prefer a low flexible cap (option 2) if you:
  - Do not see high cap as important for rate control
  - Want to mitigate surge risk in near term
  - Are willing to increase cap over time as necessary
- May prefer a low hard cap (option 3) if you:
  - Are not willing to increase cap over time
  - Are concerned about near-term surge risk
  - Also have footprint concerns

### Exhibit 3

#### Timing of reduction -- what constitutes "fairly soon"?

- If judge rate control sufficient and likely sustained with lower cap, could reduce in March
  - Might reduce concerns about exposure to surge risk...
  - And perhaps also about footprint-related issues
- Or could want to gain more experience with policy normalization first
- Or wait until some upcoming calendar events (March quarter-end; April tax season) pass

#### Adjusting RRPs for calendar effects

- Recommend continuing to provide sufficient RRPs at quarter-ends
- Under any of the options, calendar effects could be accommodated

#### Near-term communications about RRPs

- January minutes:
  - Capacity reduction: Will note topic was discussed; could help lay groundwork for future decision
  - Calendar effects: Could convey intention to ensure sufficient RRP capacity at March quarter-end
- January directive:
  - Eliminates reference to term RRPs; that resolution has expired



## Exhibit 4

### Questions for go-round

1. **Approach:** What is your preference among the options discussed in the memo<sup>1</sup> for reducing the capacity of the ON RRP facility and why? (Or do you prefer another option?)
2. **Quarter-end:** Do you have a preferred approach for handling quarter-end (or other calendar-based) pressures via temporary increases in the cap on ON RRPs, offering term RRPs, or both?
3. **Communications:** How would you explain to the public the change in the capacity of the facility and the Committee's plans for managing capacity going forward?
4. **Timing:** When do you believe it would be appropriate to reduce the capacity of the facility from its current level?

---

<sup>1</sup> "Reducing Aggregate Capacity of the ON RRP Facility," dated January 20, 2016.

**Appendix 4: Materials used by Mr. Kamin**

**Class II FOMC – Restricted (FR)**

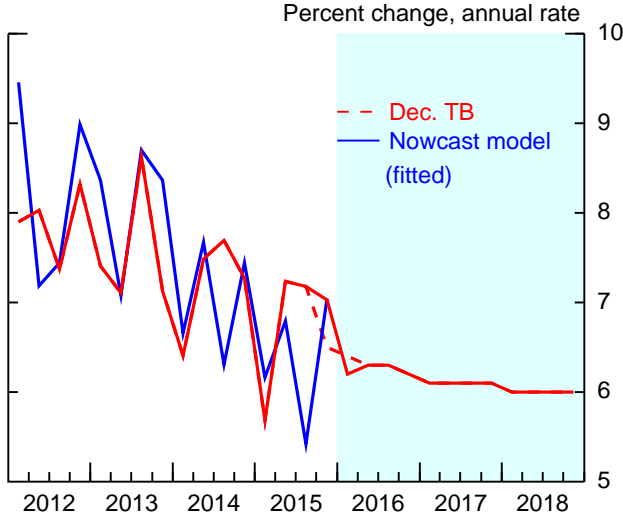
*Material for*

**The International Outlook**

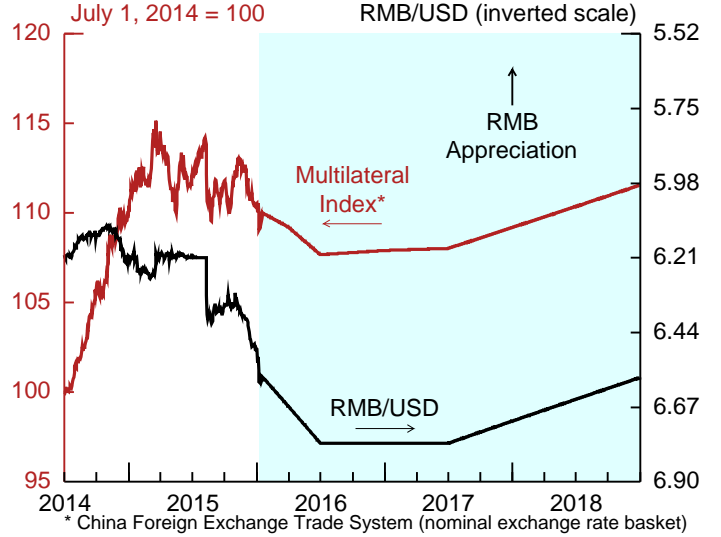
**Steven B. Kamin**  
**January 26, 2016**

# The International Outlook

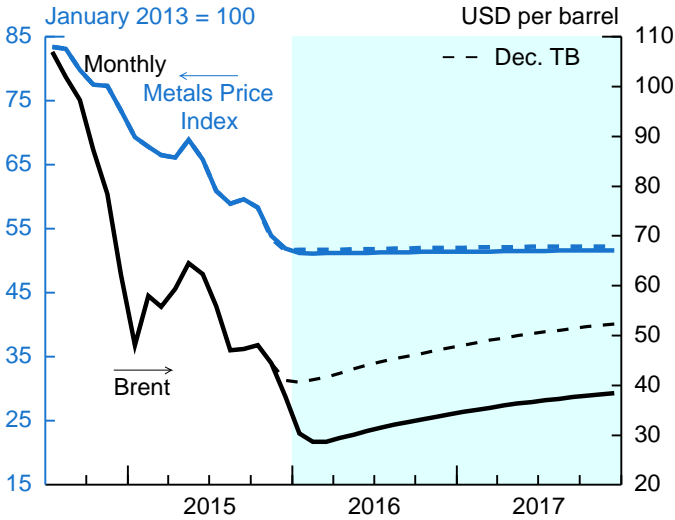
## 1. Chinese GDP Growth



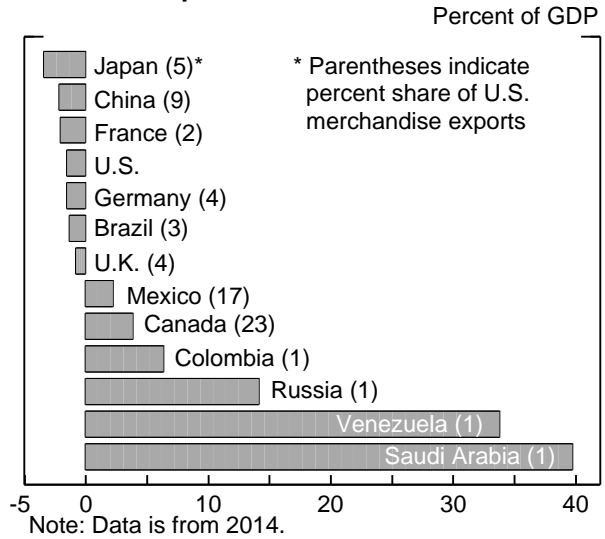
## 2. China: Multilateral Index and RMB/USD Forecasts



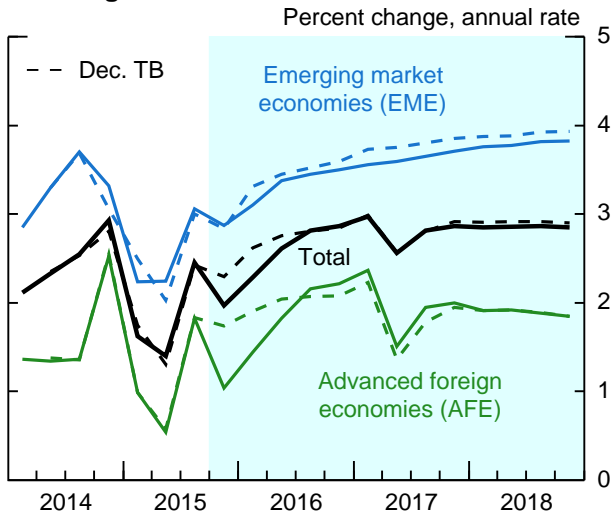
## 3. Oil and Metals Price Outlook



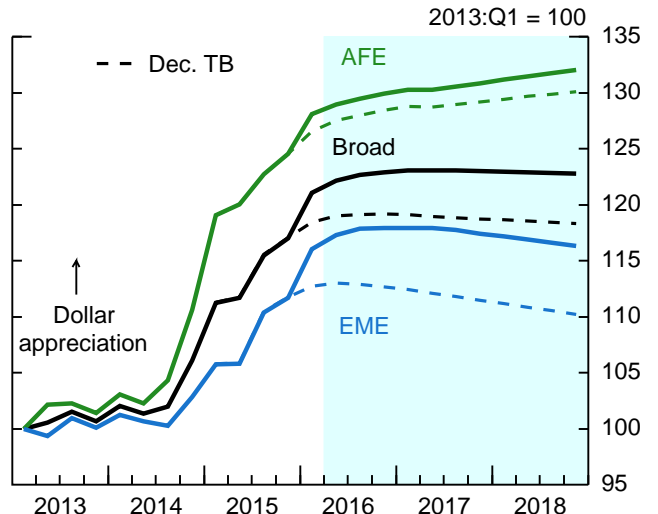
## 4. Net Oil Exports



## 5. Foreign GDP



## 6. Real Dollar Indexes



## The International Outlook (2)

### 1. Downside Risk Scenarios

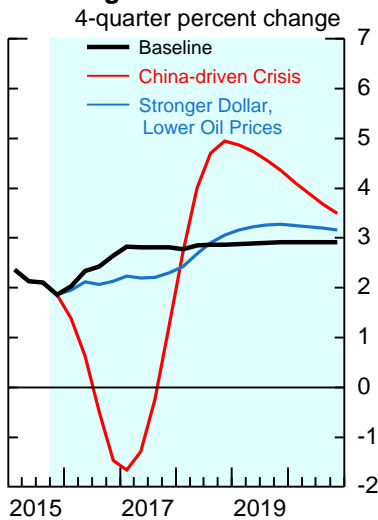
#### 1. China-driven EME Crisis (Red)

- GDP in China, other EMEs falls 7 percent below baseline
- Broad real dollar rises 15 percent above baseline
- U.S. corporate credit spreads widen 100 basis points

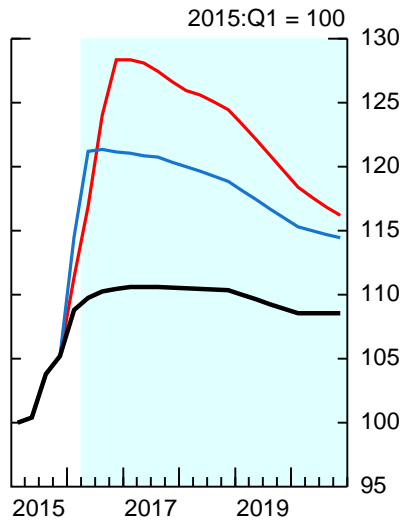
#### 2. Stronger Dollar, Lower Oil Prices (Blue)

- Foreign GDP growth falls 1/2 percentage point below baseline
- Broad real dollar rises 10 percent above baseline
- Oil prices fall \$7 per barrel below baseline

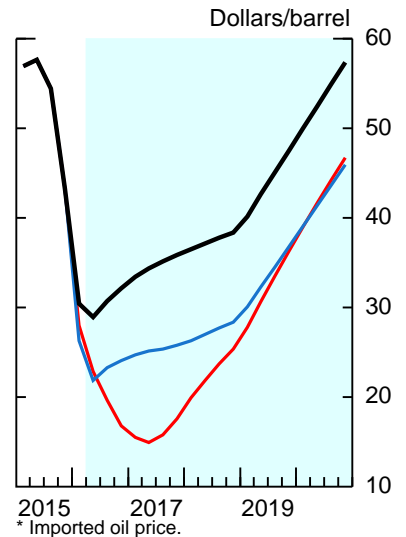
### 2. Foreign GDP



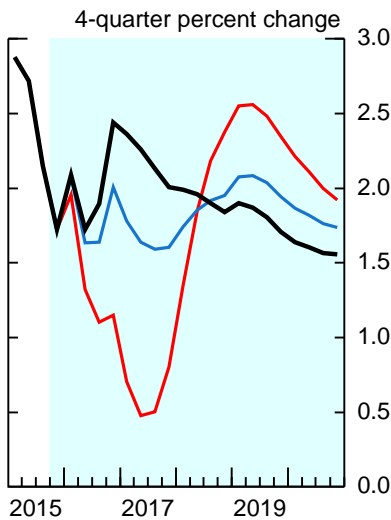
### 3. Real Broad Dollar



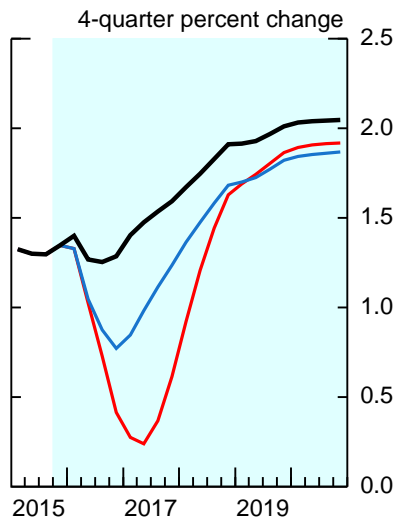
### 4. Crude Oil Price\*



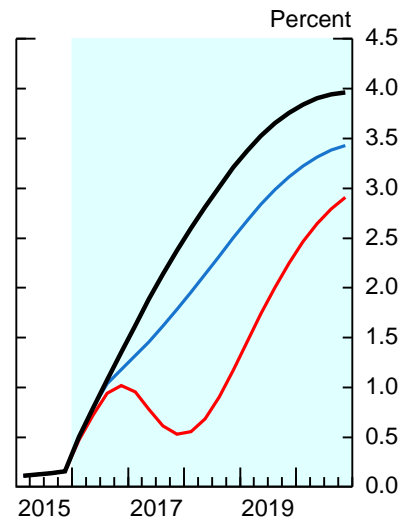
### 5. U.S. GDP



### 6. Core PCE Prices



### 7. Federal Funds Rate



**Appendix 5: Materials used by Mr. Wilcox**

**Class II FOMC – Restricted (FR)**

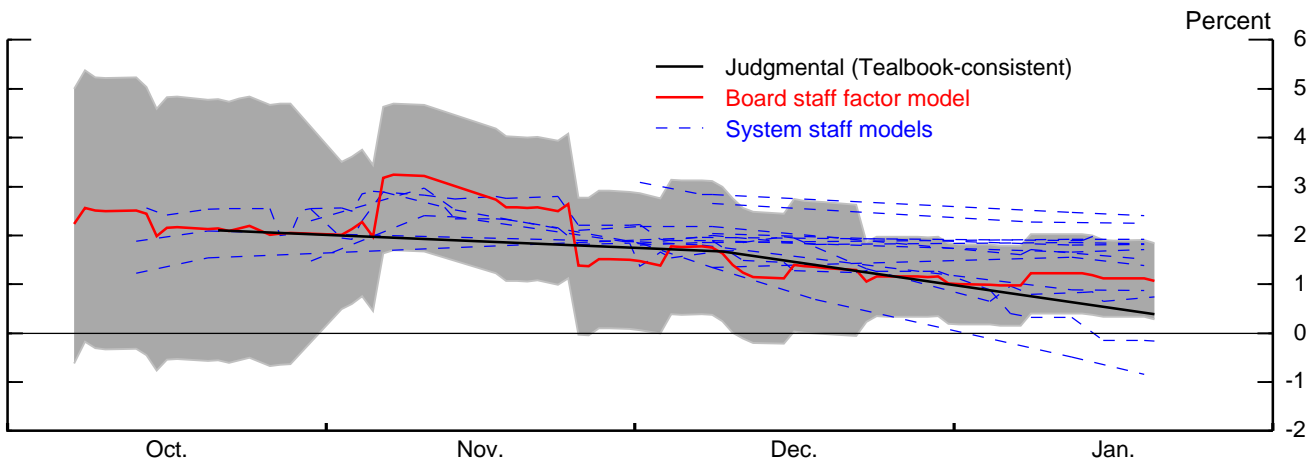
*Material for*

**The U.S. Outlook**

**David W. Wilcox**  
January 26, 2016

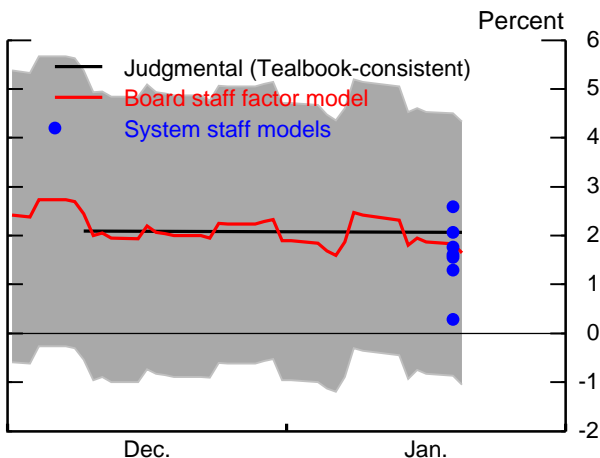
# Forecast Summary

## 1. Evolution of 2015:Q4 GDP Growth Nowcasts



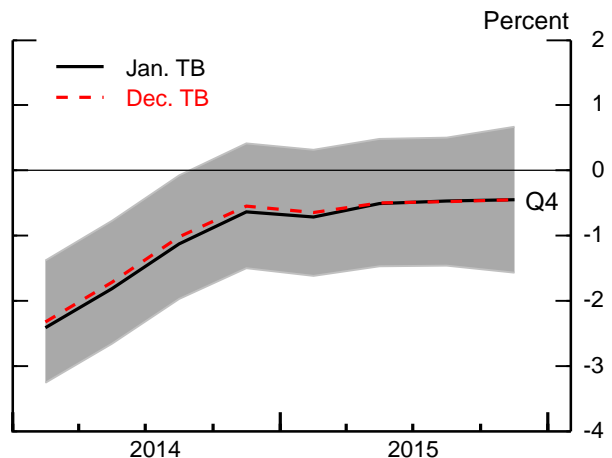
Note: The shaded region is a 70 percent confidence interval around the Board staff factor model estimate.

## 2. GDP Growth in 2016:Q1



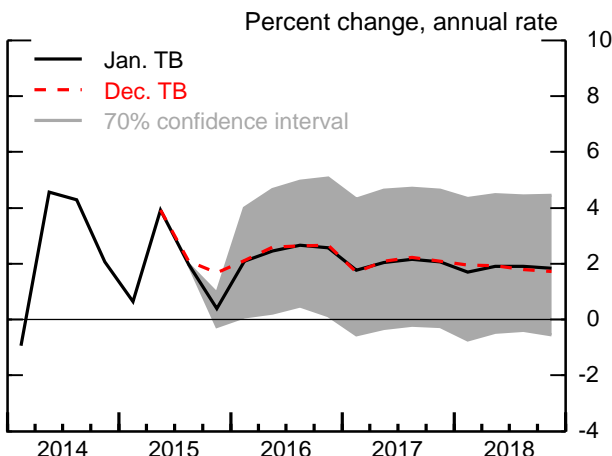
Note: The shaded region is a 70 percent confidence interval around the Board staff factor model estimate.

## 3. Output Gap Estimates from State-Space Model



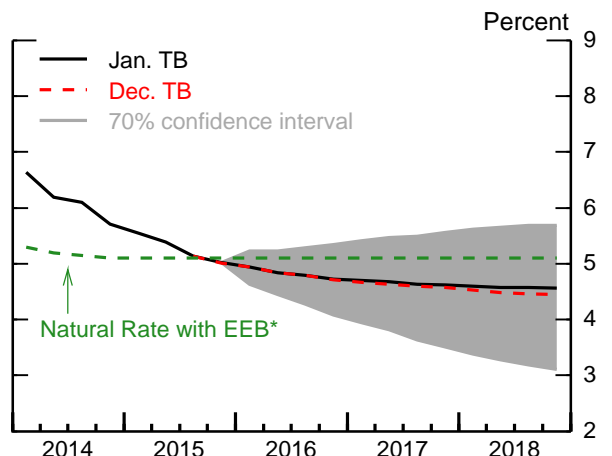
Note: The shaded region is a 70 percent confidence interval around the December estimate, reflecting only filtering uncertainty.

## 4. Real GDP



Note: Confidence intervals for panels 4 through 7 based on FRB/US stochastic simulations.

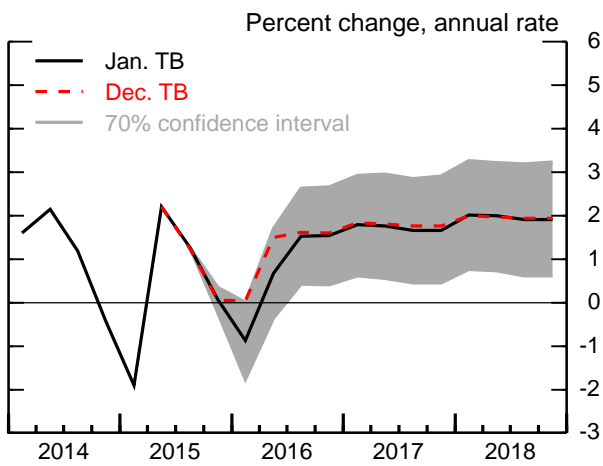
## 5. Unemployment Rate



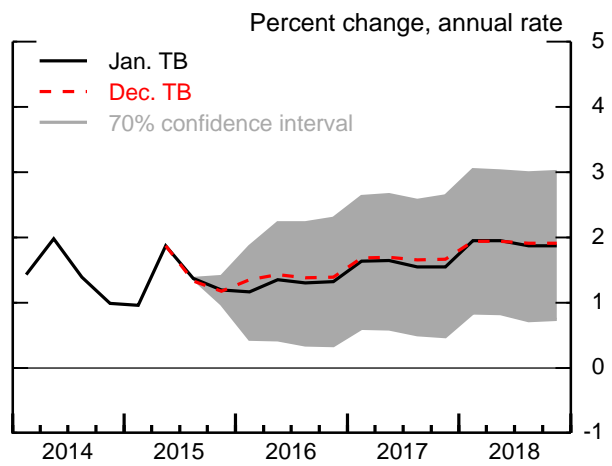
\*Effect of emergency unemployment compensation and state-federal extended benefit programs.



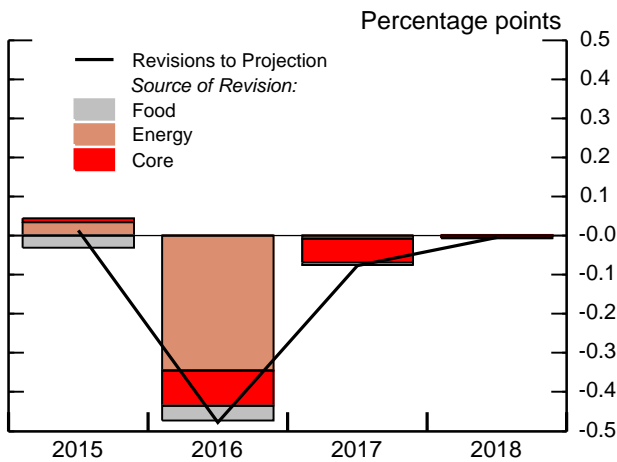
**6. PCE Prices**



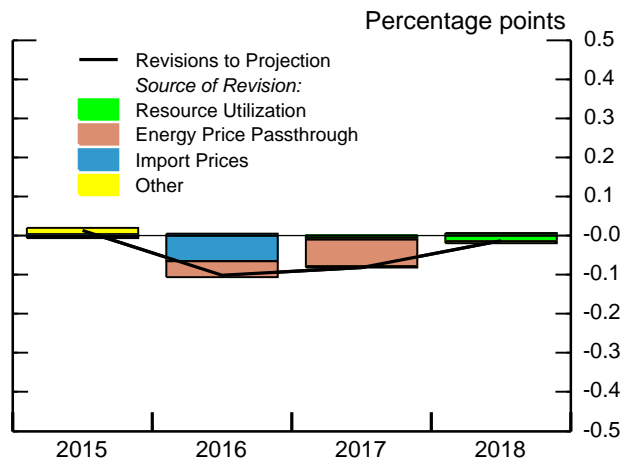
**7. PCE Prices Excluding Food and Energy**



**8. Inflation Revisions Since December:  
Total PCE**



**9. Inflation Revisions Since December:  
Core PCE**



### Key Economic Indicators for the January, March, and April FOMC Meetings

(Percent change at annual rate, except as noted)

	----- 2015 -----				----- 2016 -----		
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Total PCE price index							
3-month change	0.1	-0.1	0.3	0.1	-0.5	-1.2	-0.9
<i>December Tealbook</i>	0.0	-0.1	0.1	0.1	-0.2	-0.2	0.5
12-month change	0.2	0.2	0.4	0.6	0.9	0.7	0.4
<i>December Tealbook</i>	0.2	0.2	0.4	0.6	1.0	0.9	0.8
Core PCE price index							
3-month change	1.4	1.2	1.5	0.9	1.2	1.0	1.4
<i>December Tealbook</i>	1.3	1.2	1.3	1.1	1.3	1.4	1.4
12-month change	1.3	1.3	1.4	1.4	1.4	1.4	1.3
<i>December Tealbook</i>	1.3	1.3	1.3	1.4	1.5	1.5	1.4
Unemployment rate (percent)	5.1	5.0	5.0	5.0	4.9	4.9	4.9
<i>December Tealbook</i>	5.1	5.0	5.0	4.9	4.9	4.9	4.9
Payroll employment (change in 000s)	145	307	252	292	238	238	238
<i>December Tealbook</i>	145	298	211	210	213	213	213
Gross Domestic Product				3rd Q3 est.		2nd Q4 est.	3rd Q4 est.
<i>December Tealbook</i>				2.0		0.4	0.4
				2.1		1.7	1.7

*Key:* Estimate first available at:

January meeting
  March meeting
  April meeting

**Note:** The December CPI was released prior to the January FOMC meeting; the February CPI will be released on the second day of the March FOMC meeting; the March CPI will be released prior to the April FOMC meeting.

**Appendix 6: Materials used by Ms. Liang**

**Class II FOMC – Restricted (FR)**

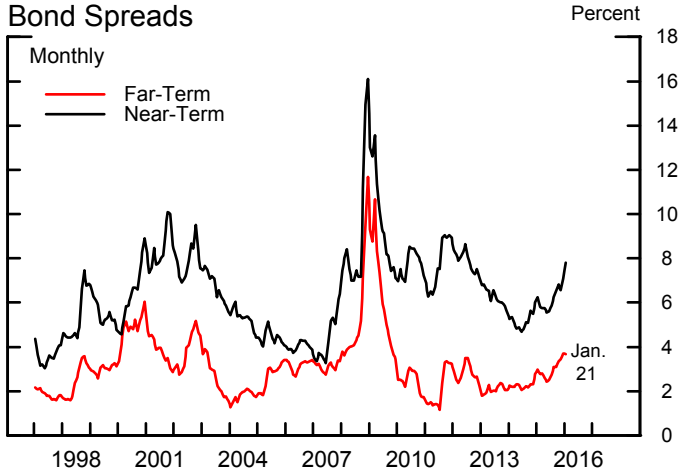
*Material for Briefing on*

**Financial Stability Developments**

**Nellie Liang**

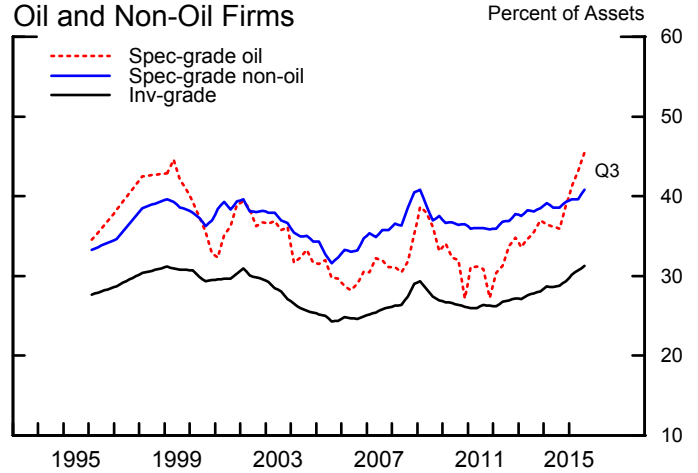
**January 26, 2016**

**Speculative-Grade Corporate Bond Spreads**



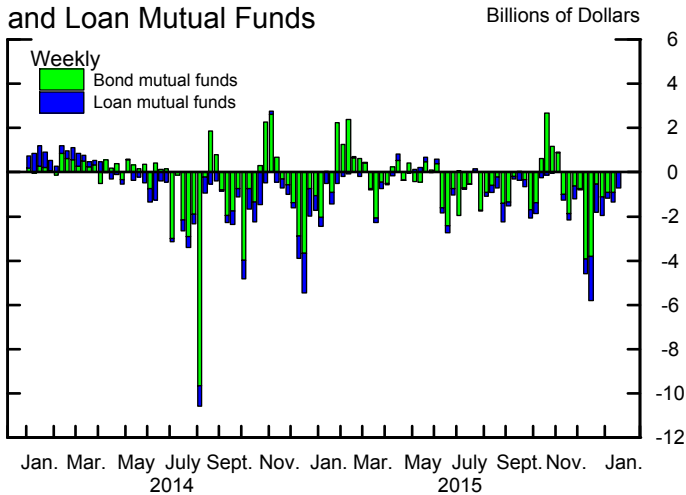
Near-Term spread between years two and three. Far-Term spread between years nine and ten.  
Source: Staff estimates.

**Debt Ratios for Speculative-Grade Oil and Non-Oil Firms**



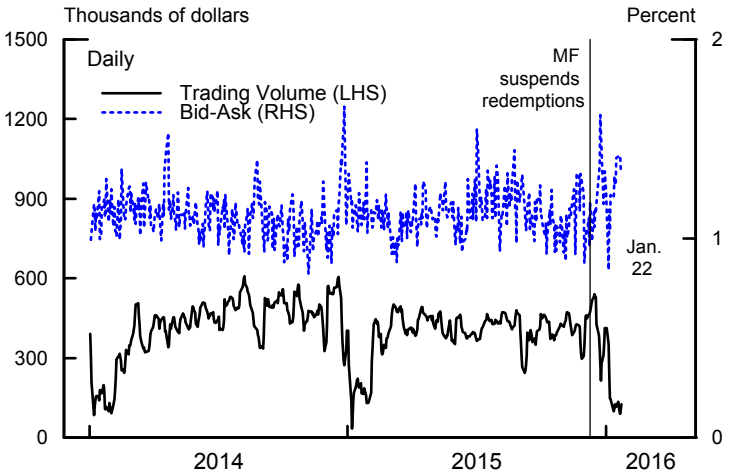
Note: Data are annual until 1999 and quarterly thereafter.  
Source: Compustat.

**High Yield Bond and Loan Mutual Funds**



Source: Morningstar Direct, ICI.

**Secondary Market for Speculative-Grade Bonds**

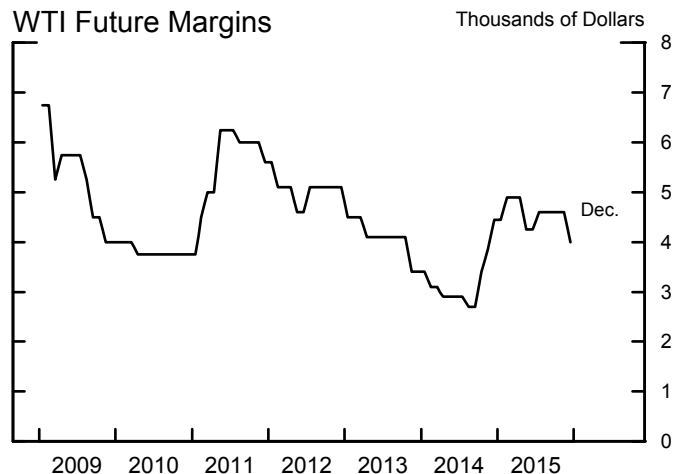


Note: Bid-Ask spread is the difference between weighted average dealer bid prices and ask prices. Trading volume is average per disseminated bond. All measures are computed for non-defaulted bonds on the secondary market that have traded at least 10 times between 10:30am and 3:30pm. Series are seasonally adjusted.  
Source: FINRA, Mergent, Moody's DRD.

**Bank Leverage and Exposures**

- LISCC bank exposures to oil and gas are limited, but some community banks and large regionals have significant exposures.
- LISCC bank exposures to China and EMEs are limited, but there are indirect channels through global banking firms.
- Wider bond spreads and weak foreign growth were features of last year's stress test scenarios.

**WTI Future Margins**



Source: CME.

**Exhibit 2: Staff Judgment on Levels of Vulnerabilities**

**Key:**  Extremely subdued  Low  Moderate  Notable  Elevated

	January 2015	October 2015	January 2016*
<b>Valuation Pressures</b>	<ul style="list-style-type: none"> <li>Pressures persist in speculative corporate debt markets, despite a widening of yield spreads</li> <li>Valuation pressures in CRE are moderate but increasing</li> <li>Equity prices remain high relative to sales, but appear moderate relative to earnings</li> </ul>	<ul style="list-style-type: none"> <li>The balance of indicators suggest moderate valuation pressures in equity and corporate debt markets, down from previous assessments</li> <li>Term premiums remain very low</li> <li>CRE valuation pressures increased further</li> </ul>	<ul style="list-style-type: none"> <li>Wider risk spreads and lower issuance of speculative-grade debt suggest further easing of valuation pressures in corporate debt markets</li> <li>CRE prices continue to grow rapidly, although they may be supported by low interest rates</li> <li>Forward price-earnings ratios for equities fell to near median</li> <li>Term premiums remain low</li> </ul>
<b>Private Nonfinancial Sector Leverage</b>	<ul style="list-style-type: none"> <li>Credit-to-GDP ratio remains below estimated trend</li> <li>Further leveraging at riskier firms could leave sector vulnerable to adverse macroeconomic shock</li> </ul>	<ul style="list-style-type: none"> <li>Aggregate measures of leverage for nonfinancial businesses are rising and are now slightly above their long-run averages</li> <li>The rapid pace of debt growth for riskier firms is showing signs of cooling, but leverage remains historically high for these firms</li> <li>The modest increases in household debt continues to be driven mostly by prime borrowers</li> </ul>	<ul style="list-style-type: none"> <li>Leverage of speculative and unrated firms is at a multi-decade high, in particular in the oil sector</li> <li>Debt growth in nonfinancial business sector has decelerated</li> <li>Credit-to-GDP ratio remains below estimated trend</li> </ul>
<b>Financial Sector Leverage</b>	<ul style="list-style-type: none"> <li>Capital positions at BHCs and insurance companies further improved</li> <li>Hedge fund leverage remains at higher-end of its range since the crisis</li> <li>Accommodative standards persist for underlying loans in non-agency CMBS and CLOs</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory capital ratios remained close to recent highs</li> <li>Available measures point to moderate leverage in the nonbank sector</li> <li>Insurance industry is well capitalized and balance sheet risk appears manageable</li> </ul>	<ul style="list-style-type: none"> <li>Capital positions at BHCs are relatively high and increased further</li> <li>Net secured borrowing by dealers decreased from its already low level</li> <li>Hedge fund leverage has moderated in recent months</li> </ul>
<b>Maturity and Liquidity Transformation</b>	<ul style="list-style-type: none"> <li>Structural vulnerabilities in money market funds persist</li> <li>Assets held by bond and loan mutual funds and ETFs represent large shares of relatively illiquid asset classes</li> <li>Maturity transformation at banks is low overall but remains high for smaller banks</li> <li>Large BHCs continue to increase their holdings of high-quality liquid assets (HQLA)</li> </ul>	<ul style="list-style-type: none"> <li>Large BHC liquidity buffers remain robust</li> <li>Aggregate amount of runnable private money-like instruments remain stable relative to nominal GDP</li> <li>Structural vulnerabilities in MMFs persist</li> <li>Bond mutual funds' outflows could cause excess volatility in bond markets</li> </ul>	<ul style="list-style-type: none"> <li>Liquidity buffers at large BHCs remain robust</li> <li>Liquidity mismatches at open-end mutual funds could magnify volatility in corporate bond markets in case of large outflows</li> <li>Securitization has contracted in recent months and new regulations took effect in November</li> </ul>
<b>Overall Assessment</b>			

\*Updated on 01/26/2016

**Appendix 7: Materials used by Chair Yellen**

**Class III FOMC – Internal (FR)**

*Revised Draft Press Release Regarding*

**Statement on Longer-Run Goals and  
Monetary Policy Strategy**

**January 27, 2016**



**FEDERAL RESERVE** press release

For release at 2:00 p.m. EST

January 27, 2016

As part of its annual organizational meeting actions, the Federal Open Market Committee reaffirmed its “Statement on Longer-Run Goals and Monetary Policy Strategy,” with a revision to clarify that it views its inflation objective as symmetric, and with an updated reference to participants’ estimates of the longer-run normal unemployment rate in the most recent Summary of Economic Projections (December 2015).

In October 2014, in preparation for the annual reaffirmation, the Committee discussed the potential benefits of amending the statement to clarify that its inflation objective is symmetric. As indicated in the minutes of that meeting, there was general agreement on the symmetry of the objective. Following further Committee discussion regarding the most appropriate way to express this clarification, the statement has been amended to indicate that the “Committee would be concerned if inflation were running persistently above or below” its 2 percent objective. All but one participant supported the amended statement.

The Committee first adopted the statement at its January 2012 meeting and has reaffirmed it, with appropriate revisions, at its annual organizational meetings each January.

Voting for the statement were: Janet L. Yellen, Chair; William C. Dudley, Vice Chairman; Lael Brainard; Stanley Fischer; Esther L. George; Loretta J. Mester; Jerome H. Powell; Eric Rosengren; and Daniel K. Tarullo. Voting against was James Bullard, who agreed the Committee’s inflation goal is symmetric, but believed the Committee’s concern should be primarily focused on expected future deviations of inflation from the goal.

**Appendix 8: Materials used by Mr. Laubach**

**Class I FOMC – Restricted Controlled (FR)**

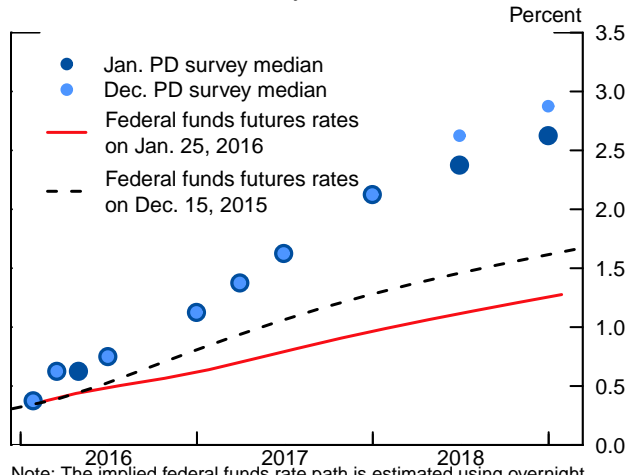
*Material for*

**Briefing on Monetary Policy Alternatives**

**Thomas Laubach**  
January 26–27, 2016

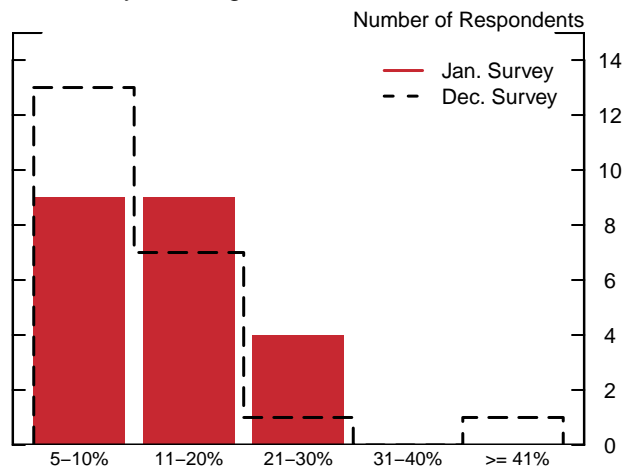
### Exhibit 1: Monetary Policy Alternatives

Federal Funds Rate Projections



Note: The implied federal funds rate path is estimated using overnight index swaps (OIS) quotes with a spline approach and a term premium of zero basis points.  
 Source: Bloomberg; Federal Reserve Board of New York primary dealer (PD) survey sell-side results; and staff calculations.

Probability of Being in Recession in Six Months



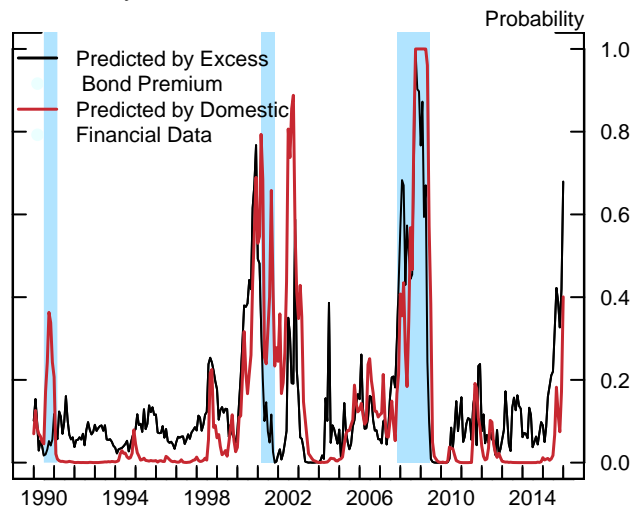
Source: FRBNY Primary Dealer Survey.

Probability of Recession in 2016:H1

	Current TB	Previous TB
FRB/US	.01	.01
EDO	.05	.04
BVAR	.06	.03
Factor Model	.23	.18

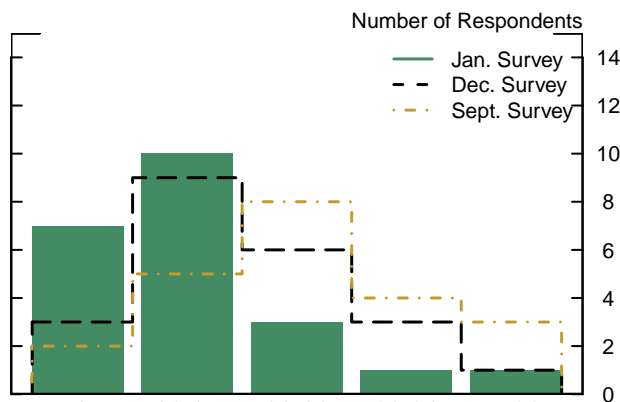
Note: Baselines for FRB/US, BVAR, EDO, and the factor model are generated by those models themselves, up to the current estimate.  
 Source: Staff calculations.

Probability of Recession Six Months Ahead



Note: The red line plots results from a probit model that conditions on six variables derived from domestic corporate equity and bond prices and Treasury yields. The black shows results from a model that conditions on the excess bond premium (Gilchrist and Zakrajsek, 2012). Shading denotes NBER recessions.  
 Source: NBER, BofA/Merril Lynch, CRSP, and S&P Compustat.

Q4/Q4 2016 Core PCE Inflation Forecasts



Source: FRBNY Primary Dealer Survey.

Probability of 4-quarter Change in Total PCE prices will be less than 1%

	Current TB	Previous TB
FRB/US	.48	.29
EDO	.07	.10
BVAR	.21	.20

Note: Baselines for FRB/US, BVAR, and are generated by those models themselves, up to the current estimate.  
 Source: Staff calculations.

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**DECEMBER 2015 FOMC STATEMENT**

1. Information received since the Federal Open Market Committee met in October suggests that economic activity has been expanding at a moderate pace. Household spending and business fixed investment have been increasing at solid rates in recent months, and the housing sector has improved further; however, net exports have been soft. A range of recent labor market indicators, including ongoing job gains and declining unemployment, shows further improvement and confirms that underutilization of labor resources has diminished appreciably since early this year. Inflation has continued to run below the Committee's 2 percent longer-run objective, partly reflecting declines in energy prices and in prices of non-energy imports. Market-based measures of inflation compensation remain low; some survey-based measures of longer-term inflation expectations have edged down.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee currently expects that, with gradual adjustments in the stance of monetary policy, economic activity will continue to expand at a moderate pace and labor market indicators will continue to strengthen. Overall, taking into account domestic and international developments, the Committee sees the risks to the outlook for both economic activity and the labor market as balanced. Inflation is expected to rise to 2 percent over the medium term as the transitory effects of declines in energy and import prices dissipate and the labor market strengthens further. The Committee continues to monitor inflation developments closely.
3. The Committee judges that there has been considerable improvement in labor market conditions this year, and it is reasonably confident that inflation will rise, over the medium term, to its 2 percent objective. Given the economic outlook, and recognizing the time it takes for policy actions to affect future economic outcomes, the Committee decided to raise the target range for the federal funds rate to  $\frac{1}{4}$  to  $\frac{1}{2}$  percent. The stance of monetary policy remains accommodative after this increase, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation.
4. In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. In light of the current shortfall of inflation from 2 percent, the Committee will carefully monitor actual and expected progress toward its inflation goal. The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data.

5. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction, and it anticipates doing so until normalization of the level of the federal funds rate is well under way. This policy, by keeping the Committee's holdings of longer-term securities at sizable levels, should help maintain accommodative financial conditions.

## ALTERNATIVE A FOR JANUARY 2016

1. Information received since the Federal Open Market Committee met in ~~October~~ **December** suggests that **the pace of expansion in** economic activity ~~has been expanding at a moderate pace~~ **slowed late last year**. Household spending and business fixed investment have been increasing at ~~solid~~ **moderate** rates in recent months, and the housing sector has improved further; however, net exports have been soft **and inventory investment slowed**. A range of recent labor market indicators, including ongoing job gains, ~~and declining unemployment,~~ shows further improvement ~~and confirms that underutilization of labor resources has diminished appreciably since early this year~~. Inflation has continued to run below the Committee's 2 percent longer-run objective, partly reflecting declines in energy prices and in prices of non-energy imports. Market-based measures of inflation compensation ~~remain low~~ **declined further**; ~~some survey-based measures of longer-term inflation expectations have edged down~~ **are little changed, on balance, in recent months**.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee currently expects that, with gradual adjustments in the stance of monetary policy, economic activity will ~~continue to expand at a moderate pace and labor market indicators will continue to strengthen~~. Overall, ~~taking into account domestic and international developments, the Committee sees the risks to the outlook for both economic activity and the labor market as balanced~~. Inflation is expected to **remain low in the near term, in part because of the further declines in energy prices, but to** rise to 2 percent over the medium term as the transitory effects of declines in energy and import prices dissipate and the labor market strengthens further. **In light of recent global economic and financial developments, the Committee sees the risks to the outlook for the labor market and inflation as tilted [ slightly ] to the downside**. ~~The Committee continues to monitor inflation developments closely~~.
3. ~~The Committee judges that there has been considerable improvement in labor market conditions this year, and it is reasonably confident that inflation will rise, over the medium term, to its 2 percent objective~~. **With inflation anticipated to remain below 2 percent longer than previously projected, and in light of the risks to** ~~Given the economic outlook, and recognizing the time it takes for policy actions to affect future economic outcomes, the Committee decided to raise~~ **maintain** the target range for the federal funds rate ~~to~~ **at**  $\frac{1}{4}$  to  $\frac{1}{2}$  percent. The stance of monetary policy remains accommodative ~~after this increase, thereby supporting~~ **to support** further improvement in labor market conditions and a return to 2 percent inflation.
4. In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and

international developments. In light of the current shortfall of inflation from 2 percent, the Committee will carefully monitor actual and expected progress toward its inflation goal. The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data.

5. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction, and it anticipates doing so until normalization of the level of the federal funds rate is well under way. This policy, by keeping the Committee's holdings of longer-term securities at sizable levels, should help maintain accommodative financial conditions.



## ALTERNATIVE B FOR JANUARY 2016

1. Information received since the Federal Open Market Committee met in ~~October~~ **December** suggests that **labor market conditions improved further even as** economic activity ~~has been expanding at a moderate pace~~ **growth slowed late last year**. Household spending and business fixed investment have been increasing at solid **moderate** rates in recent months, and the housing sector has improved further; however, net exports have been soft **and inventory investment slowed**. A range of recent labor market indicators, including ~~ongoing~~ **strong** job gains, ~~and declining unemployment, shows further improvement and confirms that~~ **points to some additional decline in** underutilization of labor resources ~~has diminished appreciably since early this year~~. Inflation has continued to run below the Committee's 2 percent longer-run objective, partly reflecting declines in energy prices and in prices of non-energy imports. Market-based measures of inflation compensation ~~remain low~~ **declined further**; some survey-based measures of longer-term inflation expectations ~~have edged down~~ **are little changed, on balance, in recent months**.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee currently expects that, with gradual adjustments in the stance of monetary policy, economic activity will ~~continue to expand at a moderate pace and labor market indicators will continue to strengthen~~. Overall, ~~taking into account domestic and international developments, the Committee sees the risks to the outlook for both economic activity and the labor market as balanced~~. Inflation is expected to **remain low in the near term, in part because of the further declines in energy prices, but to** rise to 2 percent over the medium term as the transitory effects of declines in energy and import prices dissipate and the labor market strengthens further. ~~The Committee continues to monitor inflation developments closely~~. **The Committee is closely monitoring global economic and financial developments and is assessing their implications for the labor market and inflation, and for the balance of risks to the outlook**.
3. ~~The Committee judges that there has been considerable improvement in labor market conditions this year, and it is reasonably confident that inflation will rise, over the medium term, to its 2 percent objective. Given the economic outlook, and recognizing the time it takes for policy actions to affect future economic outcomes, the Committee decided to raise~~ **maintain** the target range for the federal funds rate ~~to~~ **at**  $\frac{1}{4}$  to  $\frac{1}{2}$  percent. The stance of monetary policy remains accommodative ~~after this increase~~, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation.
4. In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. In light of the current shortfall of inflation from 2 percent, the

Committee will carefully monitor actual and expected progress toward its inflation goal. The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data.

5. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction, and it anticipates doing so until normalization of the level of the federal funds rate is well under way. This policy, by keeping the Committee's holdings of longer-term securities at sizable levels, should help maintain accommodative financial conditions.

## ALTERNATIVE C FOR JANUARY 2016

1. Information received since the Federal Open Market Committee met in ~~October~~ **December** suggests that **labor market conditions improved further. Although** economic activity has been expanding at a moderate pace **growth slowed late last year, partly reflecting temporary factors,** household spending and business fixed investment have been increasing at solid **moderate** rates in recent months, and the housing sector has improved further; however, net exports have been soft. A range of recent labor market indicators, including ongoing **strong** job gains, and declining unemployment, shows further improvement and confirms that underutilization **points to some additional increase in utilization** of labor resources has diminished appreciably since early this year. Inflation has continued to run below the Committee's 2 percent longer-run objective, partly reflecting declines in energy prices and in prices of non-energy imports. Market-based measures of inflation compensation remain low **declined further**; some survey-based measures of longer-term inflation expectations have edged down **are little changed, on balance, in recent months.**
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee currently expects that, with gradual adjustments in the stance of monetary policy, economic activity will continue to expand at a moderate pace and labor market indicators will continue to strengthen. ~~Overall, taking into account~~ **The Committee is monitoring global economic and financial** domestic and international developments; **overall,** the Committee sees the risks to the outlook for both economic activity and the labor market as balanced. Inflation is expected to **remain low in the near term, in part because of the further declines in energy prices; however, the Committee remains reasonably confident that inflation will** rise to 2 percent over the medium term as the transitory effects of declines in energy and import prices dissipate and the labor market strengthens further. The Committee continues to monitor inflation developments closely.
3. ~~The Committee judges that there has been considerable improvement in labor market conditions this year, and it is reasonably confident that inflation will rise, over the medium term, to its 2 percent objective.~~ Given the economic outlook **and the ongoing improvement in the labor market,** and recognizing the time it takes for policy actions to affect future economic outcomes, the Committee decided to raise the target range for the federal funds rate to  $\frac{1}{4}$  to  $\frac{1}{2}$  **to  $\frac{3}{4}$  percent.** **Even after this increase in the target range,** the stance of monetary policy remains accommodative ~~after this increase,~~ thereby supporting further improvement in labor market conditions and a return to 2 percent inflation.
4. In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. In light of the current shortfall of inflation from 2 percent, the

Committee will carefully monitor actual and expected progress toward its inflation goal. The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data.

5. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction, and it anticipates doing so until normalization of the level of the federal funds rate is well under way. This policy, by keeping the Committee's holdings of longer-term securities at sizable levels, should help maintain accommodative financial conditions.

## Implementation Note for January 2016 Alternatives A and B

Release Date: ~~December 16, 2015~~ **January 27, 2016**

### Decisions Regarding Monetary Policy Implementation

The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its [statement](#) on ~~December 16, 2015~~ **January 27, 2016**:

- The Board of Governors of the Federal Reserve System ~~voted unanimously to raise the interest rate paid on required and excess reserve balances to 0.50 percent, effective December 17, 2015~~ **left unchanged the interest rate paid on required and excess reserve balances at 0.50 percent.**
- As part of its policy decision, the Federal Open Market Committee voted to authorize and direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:<sup>†</sup>

"Effective ~~December 17, 2015~~ **January 28, 2016**, the Federal Open Market Committee directs the Desk to undertake open market operations as necessary to maintain the federal funds rate in a target range of  $\frac{1}{4}$  to  $\frac{1}{2}$  percent, including: ~~(1) overnight reverse repurchase operations (and reverse repurchase operations with maturities of more than one day when necessary to accommodate weekend, holiday, or similar trading conventions) at an offering rate of 0.25 percent, in amounts limited only by the value of Treasury securities held outright in the System Open Market Account that are available for such operations and by a per-counterparty limit of \$30 billion per day; and (2) term reverse repurchase operations to the extent approved in the resolution on term RRP operations approved by the Committee at its March 17–18, 2015, meeting.~~

The Committee directs the Desk to continue rolling over maturing Treasury securities at auction and to continue reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency mortgage-backed securities transactions."

More information regarding open market operations may be found on the Federal Reserve Bank of New York's [website](#).

- ~~In a related action, the Board of Governors of the Federal Reserve System voted unanimously to approve a  $\frac{1}{4}$  percentage point increase in the discount rate (the primary credit rate) to 1.00 percent, effective December 17, 2015. In taking this~~

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<sup>†</sup>This directive supersedes the resolution on the overnight reverse repurchase agreement (ON RRP) test operations approved by the Committee at its December 16–17, 2014 meeting.

~~action, the Board approved requests submitted by the Boards of Directors of the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco.~~ **The Board of Governors of the Federal Reserve System took no action to change the discount rate (the primary credit rate), which remains at 1.00 percent.**

This information will be updated as appropriate to reflect decisions of the Federal Open Market Committee or the Board of Governors regarding details of the Federal Reserve's operational tools and approach used to implement monetary policy.

## Implementation Note for January 2016 Alternative C

Release Date: ~~December 16, 2015~~ **January 27, 2016**

### Decisions Regarding Monetary Policy Implementation

The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its [statement](#) on ~~December 16, 2015~~ **January 27, 2016**:

- The Board of Governors of the Federal Reserve System voted [ unanimously ] to raise the interest rate paid on required and excess reserve balances to ~~0.50~~ **0.75** percent, effective ~~December 17, 2015~~ **January 28, 2016**.
- As part of its policy decision, the Federal Open Market Committee voted to authorize and direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:<sup>†</sup>

"Effective ~~December 17, 2015~~ **January 28, 2016**, the Federal Open Market Committee directs the Desk to undertake open market operations as necessary to maintain the federal funds rate in a target range of  $\frac{1}{4}$  to  $\frac{1}{2}$  **to  $\frac{3}{4}$**  percent, including: ~~(1) overnight reverse repurchase operations (and reverse repurchase operations with maturities of more than one day when necessary to accommodate weekend, holiday, or similar trading conventions) at an offering rate of 0.25~~ **0.50** percent, in amounts limited only by the value of Treasury securities held outright in the System Open Market Account that are available for such operations and by a per-counterparty limit of \$30 billion per day; and ~~(2) term reverse repurchase operations to the extent approved in the resolution on term RRP operations approved by the Committee at its March 17–18, 2015, meeting.~~

The Committee directs the Desk to continue rolling over maturing Treasury securities at auction and to continue reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency mortgage-backed securities transactions."

More information regarding open market operations may be found on the Federal Reserve Bank of New York's [website](#).

- In a related action, the Board of Governors of the Federal Reserve System voted [ unanimously ] to approve a  $\frac{1}{4}$  percentage point increase in the discount rate (the primary credit rate) to ~~1.00~~ **1.25** percent, effective ~~December 17, 2015~~ **January 28, 2016**. In taking this action, the Board approved requests submitted by the

<sup>†</sup>This directive supersedes the resolution on the overnight reverse repurchase agreement (ON RRP) test operations approved by the Committee at its December 16–17, 2014 meeting.

Boards of Directors of the Federal Reserve Banks of ~~Boston, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco~~ ...

This information will be updated as appropriate to reflect decisions of the Federal Open Market Committee or the Board of Governors regarding details of the Federal Reserve's operational tools and approach used to implement monetary policy.



**Appendix 9: Materials used by Mr. Clark**

**Class I FOMC – Restricted Controlled (FR)**

*Material for Briefing on*

**Proposal for Fan Charts in the Summary of  
Economic Projections**

**Todd E. Clark**  
January 27, 2016

## Proposal for Fan Charts in the Summary of Economic Projections

- Proposed approach based on median SEP forecasts and historical RMSEs
- Other approaches considered

### [Proposed approach](#)

- Fan charts reporting median SEP forecasts and symmetric confidence intervals based on historical RMSEs (Exhibit 1)
  - Intervals for 70 percent confidence, not 90 percent
  - Constructed from information already available
  - Relatively easy to explain
- Implementation issues
  - Conceptual differences
    - Appropriate policy in SEP vs. modal policy in RMSEs
    - But RMSEs should provide reasonable, approximate measures of uncertainty around the median projections
  - Fan chart for the funds rate
    - Appropriate policy vs. modal projections
    - Omitting the funds rate would emphasize this distinction
    - However, including the funds rate would help to emphasize uncertainty and data dependence

### [Other approaches considered](#)

- Historical distributions of forecast errors instead of RMSEs
  - Would not require assumptions of symmetry or normality and could capture asymmetries
  - Could be more difficult to explain, and limited data may preclude reliably representing relevant asymmetries
- Simulations of an econometric model
  - Structural approach that could allow for asymmetries
  - Could be more difficult to explain, and would require agreement on a model and policy rule
- Subjective assessments of uncertainty and risks
  - Could capture the judgments that contributed to the policy decision and allow the fan charts to reflect assessments of appropriate policy
  - The reporting requirements could be onerous, with concerns about translation from the subjective to the quantitative, and the charts could be difficult to explain

Exhibit 1: Fan charts based on historical forecast errors over 1995 - 2014

Figure 1. Medians and confidence intervals of economic projections, 2015–18



NOTE: Definitions of variables are in the general note to table 1. The data for the actual values of the variables are annual. Confidence intervals are based on root mean squared errors of various private and government forecasts made over the previous 20 years; more information about these data is available in table 2.